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PARTICIPATION OF CALIFORNIA'S SMALL BUSINESSES IN THE FEDERAL PROCUREMENT SYSTEM

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of 218

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HEARING

BEFORE THE

SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS

OF THE

COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

LOS ANGELES, CA, APRIL 3, 1986

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PARTICIPATION OF CALIFORNIA'S SMALL BUSINESSES IN THE FEDERAL PROCUREMENT SYSTEM

THURSDAY, APRIL 3, 1986

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS, COMMITTEE ON SMALL BUSINESS,

Los Angeles, CA.

The subcommittee met, pursuant to notice, at 9:40 a.m. in room 150, Los Angeles Hall of Records, Los Angeles, CA, Hon. Esteban Edward Torres (acting chairman of the subcommittee) presiding.

OPENING STATEMENT OF ACTING CHAIRMAN TORRES

Mr. TORRES. Thank you very much for being here this morning. Ladies and gentlemen, I appreciate your taking time out from what I imagine are busy schedules. My name is Esteban Torres. I'm the Congressman from the 34th Congressional District in California. My district is located in the southeast portion of Los Angeles County. That's the general San Gabriel Valley.

Today, I am chairing the House Small Business Subcommittee on SBA and SBIC Authority, Minority Enterprise and General Small Business Problems. We're pleased to be here in Los Angeles and to hold this meeting in this fair city. I want to extend at this time special thanks to Congressman Charles A. Hayes from Chicago, IL, for participating in this hearing. Congressman Hayes is a valued member of the subcommittee who understands the critical importance of effective participation of small businesses in the Nation's procurement system. We invited other members of the subcommittee. The chairman and the ranking Republican were unable to be with us today. They have, however, extended their welcome to you and wish they could have been with us. Unfortunately, they were unable to do so because of their very tight schedules.

We have with us today, three other people up here on the dais with me who I'd like to present to you. The gentleman on my far right is Tony Powell, who is the subcommittee counsel for the Republican members of the committee. The gentleman to my immediate right is Neal Cohen, who is my legislative assistant in Washington dealing with small business matters. And the lady to my left is Tracey Pinson, who is the subcommittee counsel of the Democratic members of the committee. From time to time these gentlemen, Ms. Pinson, and Mr. Hayes, will be asking questions of the witnesses that we've invited today.

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For the record, I'd like to thank Los Angeles County Supervisor Ed Edelman, of the Third District of Los Angeles County, for arranging the use of this hearing room in the Hall of Records. I'm also thankful for the assistance of Mr. Gil Gerakos, his administrative assistant and deputy, for arranging the proceedings here today.

Congressional hearings pose questions. That's the nature of our mission today. Questions about pending legislation and about administrative implementation of laws. Today, the subcommittee will review how Federal agencies have implemented Federal laws designed to encourage small and minority business participation in the Federal Procurement System. More specifically, we will examine whether California's small businesses are able to participate effectively in the Federal Procurement System. The Nation relies on laws and regulations to encourage Federal agencies to set aside contracts for small and disadvantaged businesses. For example, Congress enacted what is known as section 8(a) of the Small Business Act. This law authorizes the Small Business Administration, which I shall refer to from here on as SBA, to negotiate contracts for goods and services with other agencies. SBA, then, subcontracts the work to eligible small businesses.

Congress also encouraged Federal agencies to establish what we call the rule of two. What is the rule of two? This procurement policy requires that contracting officers set aside a contract whenever there's a reasonable expectation that two small businesses will compete and that the awards will be made at fair prices. Congress has encouraged Federal agencies to set and achieve goals to purchase goods and services from small and minority-owned businesses. Congress relies on these and many more laws and regulations to insure that small businesses can purchase goods and services from the Nation's largest purchasing agent, the Federal Government.

Today, ladies and gentlemen, we're here to examine whether these laws and regulations are working effectively to aid California's small business participation in the Federal Procurement System. I hear complaints that the intent of those laws and regulations do not always work effectively for California's small businesses. The subcommittee will examine those complaints. We chose a particularly timely period to direct our questions here today. The Reagan administration, as many of you know, again proposes to eliminate the SBA. The day before yesterday the Reagan administration showed the Nation just how much it wants to eliminate the Small Business Administration. The day before yesterday the new acting administrator was appointed. His name is Charles Heatherly. He used to work at the Heritage Foundation. His first actions were to fire five regional administrators, and he wanted to fire a sixth one, but he couldn't reach him by telephone. The event will probably become known now as the April Fool's Day massacre. Mr. Heatherly says he fired the regional directors because they were not actively supporting the President's position.

Well, I don't believe Mr. Heatherly. I do not believe that a person who served on President Reagan's transition team, as did one regional administrator, does not support the President's position. I don't believe that a person who was national deputy director for a campaign committee in support of the Reagan/Bush team, as

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was one regional administrator, suddenly stops supporting the President's position. No; ladies and gentlemen, let me tell you what I do believe. I believe that Mr. Heatherly is trying to gut the SBA: its programs, its morale, its commitment to small businesses. Let me just cite for you a memorandum that he issued the day before yesterday. Among one of the things that he cites in his memorandum is the statement:

> A third task of mine is to prepare the agency for an orderly transition to a new configuration at the Department of Commerce once the transfer of functions has been enacted into law.

I want to remind Mr. Heatherly that a few days ago President Reagan signed the Budget Reconciliation Act of 1985, a bill which provides budget authority for the SBA to continue for the next 3 years. So, Mr. Heatherly is not in the position to begin to move the SBA into the Department of Commerce. Yes; the President wants to eliminate the SBA, but until Congress makes the decision to eliminate the agency, the SBA programs must be administered as the law requires. Mr. Heatherly has decided to eliminate the agency internally. He wants to take away key personnel in order to undermine key programs. He hopes that by reducing SBA's effectiveness, public sentiment will grow for the elimination of SBA. It will not work. The SBA will survive because it does serve a legitimate purpose.

We need to find out today how these changes will affect California's small business participation in procurement programs. The Reagan administration also has proposed to eliminate, as I told you earlier, the rule of two; the core of the set-aside program. How will California's small business participation in procurement programs change if that's achieved? The administration also plans to eliminate the functions of the SBA's procurement center representative, a champion of small business interest. How will California's small business participation in procurement programs change if it is achieved?

Today, ladies and gentlemen, we have many questions to ask. Our questions are in response to complaints. I hear complaints that California's small businesses are at a disadvantage when competing for Federal contracts, simply because they are located so far from Washington, DC.

I hear complaints that California's military installations have minimal, small and disadvantaged businesses contracting goals to meet. I hear complaints that even these meager goals are not attained. I hear complaints that it is easier to get a contract from an east coast military installation if you're a California based section 8(a) firm, than it is to get a contract from a west coast installation. We're going to find out today whether that's the case. I hear complaints that west coast installations reserve the high-technology contracts for large businesses or selected, nonminority small businesses, while only the maintenance contracts are reserved for minority-owned businesses.

Yes; and I hear complaints that California's small businesses have a tougher time getting into the section 8(a) program than east coast firms.

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I hear complaints that the subcommittee does not assume those complaints are legitimate. The subcommittee is here to ask questions. The subcommittee is charged with remedying problems that affect the performance and the competitiveness of American small businesses.

We will hear from 15 witnesses today. The witnesses are separated into three panels, and one individual witness. The first panel includes five small business owners who work with the Federal military installations. The second panel includes the base commanders from two Navy installations, one Army installation, and one Air Force installation. And, the third panel includes business owners who can talk about difficulties in becoming certified for the section 8(a) programs. Finally, we will hear from the Assistant Administrator of the Small Business Administration for Federal region IX, our region here.

Again, both Congressman Hayes and I and the staff want to thank you for being with us. I recognize that to many of you, it's a hardship to give up your whole day to come here. Some of you have come a long distance to be with us. And, I want to assure you that this hearing provides an important forum. It allows Representatives in Congress to monitor, to understand, and to listen to the views of those who benefit from or administer these programs.

Before I call on my colleague, Congressman Hayes, to make his opening statement, I will ask the witnesses that you will hear in the three panels be as brief and concise as possible. We will move from one panel to another. We hope we can do it with as much dispatch as possible. We would like to conclude this hearing by 1 o'clock. We intend to take a short break after the second panel and that will be the kind of policy we'll follow this morning. The witnesses are the only ones that will be testifying for us today. If we have additional time we may hear from people in the audience who would like to have certain questions answered.

At this time I would like to turn the microphone over to my esteemed colleague, the gentleman from Illinois, Mr. Hayes, for an opening statement.

OPENING STATEMENT OF HON. CHARLES A. HAYES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. HAYES. Thank you, Mr. Chairman. It is my pleasure to be here with you today to examine California's small business participation in the Federal Procurement System. As a member of the Committee on Small Business, I'm anxious to hear how the State of California is helping to increase the participation of small and disadvantaged businesses in the Federal Procurement System. We are also here to hear the views of small businesses with regard to the future of the Small Business Administration.

And let me pause and say, Mr. Chairman, I certainly concur in the views expressed by you as to the responsibilities of the Congress of the United States to decide whether or not SBA should be eliminated.

The numbers speak for themselves. Last year in Illinois, my own State, we had a record number of business bankruptcies. Additionally, we have one of the highest unemployment rates in the

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Nation. In my own congressional district, the official unemployment rate is estimated to be about 18 percent. For our teenagers the unemployment rate is an embarrassing 50 percent. What the people in my district have been asking of me, is to help to create and encourage job producing industries and measures. That is why I produced a Jobs and Income Act, H.R. 1398. This legislation is designed to insure the Federal Government's commitment to full employment economy for all of its citizens.

When the President asked the Congress to abolish the Small Business Administration, however, the calls and letters began to come in from all over the Nation. Small businesses want to know why. As one expert asked, when small business creates over one-half of all industrial innovations and inventions, 48 percent of the gross business output and over 55 percent of all private sector jobs, how can we eliminate all of SBA's loan program simply because, as David Stockman said, "They serve no rigorously defined public policy purpose."

Today, the SBA represents less than one-half of 1 percent of the Federal budget. When you compare the jobs created, the goods and services provided, the loans repaid and the taxes paid, abolishing the SBA is a very small and counterproductive way of reducing the deficit, and, in fact, could add to the deficit through higher unemployment and the resulting payment of unemployment benefits. I'm aware that some of my colleagues have joined the President's call to dismantle the SBA. Some have said that the SBA is badly in need of reform, or that some of the jobs and businesses that SBA has supported are trivial. Well, we have been reforming the SBA for years, and we will continue to make changes as they are necessary. But we will not allow the guise of reform to be used to emasculate the SBA, but the claim that some jobs or businesses are trivial, is one that really makes me angry. Whether the job is selling chicken at a fast food restaurant or designing computer software, both are preferable to the pain of unemployment.

As one who has seen the pain of unemployment first hand, I want to do all that I can to lessen that pain. The SBA contains our Government's tools to increase the opportunities for small businesses to exist and expand. I look forward with great anticipation to the testimony of today's witnesses.

Mr. TORRES. Thank you, Mr. Hayes.

May I just take this brief moment to also introduce other Federal congressional staff people that are here. Mr. Robert Alcock, my chief of staff in Washington, has joined us today for these hearings. Over on the far side of the room against the wall is Mr. Lupe de la Cruz, my district manager. And seated here in the front row with the white coat on is Leticia Hernandez, my field deputy. They've been very important in arranging these hearings.

I'm now going to call upon the five witnesses that make up the general panel. Would you please come to the floor and present your testimony in this order. Remember again that we want concise, succinct statements. Perhaps if you can summarize your statements, we will enter your entire statement into the record. As I call your name, please come up. Mr. Robert Ozuna, president of New Bedford Panoramex. Mr. Byron Jones, Ron Harding Moving Service, Inc. Mr. Ernest Camacho, president of Pacifica Services,

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Inc. Betty Jo Toccoli, president and chief executive officer of Total One Development Center. And Mr. Rudolpho Trujillo, president of Tru & Associates, Inc. Lady and gentlemen, would you please join us. I ask that you put the mikes up close to you so that we can make sure that the transcribers and all the available audio facilities are in working order.

Our first witness will be Mr. Ozuna. Mr. Ozuna, you may proceed, sir, and thank you for coming here today.

TESTIMONY OF ROBERT L. OZUNA, PRESIDENT, NEW BEDFORD PANORAMEX CORP., SANTA FE SPRINGS, CA

Mr. OZUNA. Thank you, Mr. Chairman and members of the committee. It is my pleasure to appear before this subcommittee to share my views and experiences on the topic of California small business participation in the Federal Procurement System. My name is Robert L. Ozuna. I am president and owner of New Bedford Panoramex, an engineering and electronics firm that's located in Santa Fe Springs, CA.

I formed my company in 1965, 17 years prior to my entrance into the 8(a) program. In that time I developed one of the most advanced electrical control systems firms in southern California, with annual sales of approximately $3.5 million. My major clients included Bechtel, Parsons, Fluor, and all the major oil companies. For 10 years this industry flourished right in with one of the largest commercial awards for the Aleyska pipeline project. By the 1980's I had acquired proven management and manufacturing capabilities.

Due to the decline in the petroleum and power industries, we made a decision to diversify our manufacturing capabilities from electro-mechanical to include the field of electronics. This diversification saved the jobs and skills of 50 people, and now we project this move will provide an additional 300 employment opportunities over the next 4 years.

Mr. TORRES. Excuse me, Mr. Ozuna, how many more?

Mr. OZUNA. 300.

Mr. TORRES. 300.

Mr. OZUNA. This is principally due to the 8(a) program and specifically our 8(a) pilot program contract with the Department of Transportation/FAA.

The FAA's requirement is for the design, development, and production of 600 airport remote monitoring systems [ARMS]. Those electronic systems will enable the FAA to automate the maintenance of their instrument landing systems through electronic monitoring and control of the systems. The ARMS will allow the performance of the ILS to be monitored, controlled, and certified from a centralized work center. The remote maintenance concept will provide the agencies with a significant return of their investment through substantial savings in operations and manpower costs. This multiyear, multimillion dollar project has been the high point of 3 long, exhaustive years of marketing for our company. Prior to this project our total 8(a) sales represented less than $1 million.

In the eyes of many, I am considered relatively successful in marketing our firm's capabilities in both the commercial and Gov-

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ernment sectors. I believe this is why my participation was requested. Since not one of my current 8(a) contracts is with a Government installation or agency in the State of California. I have received contracts from Washington, DC., Maryland, Alabama, Colorado, and Utah, but none in the State of California. None.

I consider myself a cost conscious individual, so why was I having to spend thousands of dollars in travel and personnel to get contracts in other States while my own backyard was still untouched. You can believe I tried. My first 2 years in the 8(a) program were entirely spent on trying to capture my first 8(a) contract locally without any success. In this time, our secondary marketing efforts in the eastern States were trickling down contracts. It seems the eastern installations were more receptive to our firm. Now, I realize that this may be the total reverse to what has happened to others, but in my case it was the east that paid the bills for my western operations.

My conclusion to prioritize the east came from two sources of research that are as follows:

First, historically, procurement records indicate that our category of procurement engineering and electronics of the top 10 installations that purchased those goods and services, only 2 were located in California; all others were located east of the Mississippi River.

Second, field interviews concluded that most western installations were locked into 8(a) contracts, or contractors that were multiyear opportunities. The dollar contracts were significant but the opportunities as a volume were limited. We either had to wait for an 8(a) firm to graduate to assume those contracts, or create opportunities from the ground floor.

In all, we saw western procurements as a long-range program effort. Now that an established fixed participation program is now being highly considered, western marketing has become a gamble with no possibility of an adequate return on the marketing investment. My firm is caught in between an eastern and western dilemma. Because the eastern installations have institutionalized the 8(a) program, they are readily able to welcome and develop 8(a) opportunities and contractors. The west, on the other hand, gives the impression that the program is a temporary priority deserving of temporary programs, personnel, and solutions. One does not get feelings of commitment from the installation commanders themselves and that is that the 8(a) program is here to stay and must be dealt with as a daily matter.

In summary, in marketing these west coast installations, we have encountered difficulty in obtaining the status of existing 8(a) contracts, and also, the identification of new contracts. Another obstacle that we have encountered is the reluctance of those installations to consider new 8(a) firms, having similar capabilities to perform in those contracts. We came to the conclusion that either we had to wait for the 8(a) firm servicing those contracts to graduate, or target these installations as a long-term source of awards.

Given the fixed participation level of my certification, I found it an immediate business decision not to prioritize the west coast installations as a source of immediate contractual support. I would find it mutually benefitting to both the 8(a) contractor and the in-

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stallation, to examine establishing new opportunities to introduce new 8(a) contracts in the procurement cycle by allowing greater contract opportunities and exposing those 8(a) firms to those opportunities.

Again, I would like to thank you, Mr. Chairman and members of the committee, for allowing me to speak on behalf of my firm, New Bedford Panoramex. Thank you.

Mr. TORRES. Thank you, Mr. Ozuna. The procedure we'll be using this morning, is to hear from all the panelists and then Congressman Hayes and myself and the other legal counsels with us may pose questions to you. So, we'll go on to the next panelist, Mr. Byron Jones. Please proceed, sir.

TESTIMONY OF BYRON JONES, RON HARDING MOVING SERVICE, INC., ANAHEIM, CA

Mr. JONES. Mr. Chairman, Members of Congress, committee members, thank you for the opportunity to provide us the opportunity to voice our concerns and views on the difficulty of 8(a) firms to obtain business and contracts with military establishments.

When I became aware I would be here today, I researched our files for any material I felt would be pertinent to this presentation. Interestingly enough, I came across a document entitled, "Synopsis of 8(a) Participation and Activity to Date." I've included it in the information I provided to Mr. Cohen. If you look at that document, you'll see that it was prepared May 23, 1984, almost 2 years ago. At that time, Ron Harding Moving Services had been an 8(a) certified firm for approximately 1½ years.

The gist of the synopsis basically says that during that first 1½ years we had only been able to obtain one military contract despite vigorous efforts to utilize and maximize our 8(a) certification.

Now, it's 2 years later. Quite frankly, the only change I would have to make to that initial report would be the date, and then you would have a fairly accurate assessment of our current success rate.

However, during that time, we have been even more vigorous in exploring every possible avenue for business opportunities.

This portable file here represents 2 years of strict concentration by Ron Hardy Moving Services to the Federal market in general and the military market in particular. What's represented in this file are, quote, "Bidder's Mailing List Applications"—I'm sorry—the Standard Form 129, which Ron Harding Moving Services has submitted to virtually every military base west of the Mississippi.

In addition, this file contains military establishment acknowledgements, solicitations to bid, amendments to solicitations, modifications to solicitations, Federal classification documents, copies of correspondence initiated by us, and responses to that correspondence. In short, this file represents everything, but an order.

If Ron were here, he would tell you this file represents $30,000 his firm has spent trying to capitalize on the 8(a) status his company has justifiably qualified for.

Naturally, this amount of effort, with such minimal results begs the question, "Why?" Or to be more precise, "Why not?" In truth, we don't know.

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What we do know is that Ron Harding Moving Services was chosen by the Los Angeles Olympic Organization Committee to handle approximately 90 percent of the 1984 Olympic moving requirements. What we do know is that Ron Harding Moving Services is the exclusive delivery/removal rigger for Xerox Corp. in Orange County and Los Angeles central. What we do know is that Ron Harding Moving Services has enjoyed an ongoing professional relationship with ARCO, Ford Aerospace, General Dynamics, Fluor Engineering and many others. What we do know is that Ron Harding Moving Services was a recipient of the 1984 black business of the year award. What we also know is that Ron Harding was most recently elected by his peers to the White House Conference on Small Business, and as an addendum to that he was most recently chosen as chairman of the Orange County chapter.

And because we know these things, we have a difficult time believing our capabilities are influencing our inability to obtain 8(a) business. We suspect, however, that some Government regulations are incompatible with the 8(a) program. For instance, we were told we lost out on a household goods contract opportunity at El Toro, the Marine base, because awarding the contract to an 8(a) firm would preclude their having, quote, unquote, "back up carriers."

We suspect that small business set-asides supersede 8(a) set-asides. This is somewhat of a catch-22, because virtually all local movers qualify as small business. We suspect, giving our solitary experience, that 8(a) certification is used as a convenience by the military enabling them to circumvent their long lead time and their normal bid process. We suspect that 8(a) certification of low tech services, such as moving, has very little status, and even less opportunity among Government agencies.

We even suspect there may be a direct correlation between proximity to the east coast and the amount of 8(a) business enjoyed. Because even though we are the only 8(a) moving concern in southern California and continue to come up empty; we've been led to believe that such is not the case with our counterparts on the east coast.

Finally, I would like to mention the SBA. They were extremely helpful and instrumental in granting us our certificate, and obtaining our one and only military contract. For that, we are most grateful. However, in subsequent attempts of working with them in an attempt to penetrate this market, even they appear to be baffled and somewhat bewildered. As one of their employees said to me recently, quote, "It's too bad, you don't sell a product, then I could help." My response to that is this. It's too bad the military never has a need to move anything, then I could be of help. Thank you.

[Attachments to Mr. Jones' testimony follow:]

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Ron Harding Moving Service, Inc.

We understand your moving needs

May 23, 1984

Synopsis of 8(a) Participation and Activity to Date

by

RON HARDING MOVING SERVICE
1341 N. Kraemer Boulevard
Anaheim, California 92806
Phone (714) 630-8200

Ron Harding Moving Service (RHMS) was granted its certificate as an 8(a) program participant in late December 1983. The fixed-participation period was established for a term of 5 (five) years.

Our first 8(a) subcontract was obtained through the SBA from the United States Air Force/Norton AFB Ballistic Missile Office in January 1984, thus initiating the 5 year fixed participation period. This contract involved the relocation of approximately 900 offices, including furniture, files, fixtures and classified material.

RHMS performed phase I of this move in February, phase II in March, and a third phase is tentatively scheduled for July or August, 1984. This contract has an estimated total value of $100,000.00. To date this single contract represents our total revenue participation under the 8(a) program.

We have been in contact with a number of governmental agencies in an effort to identify purchasing needs for our type of service in advance of their being let for bid. We have, thus far, been largely unsuccessful in identifying such needs in a timely fashion.

We have established contact with the United States Marine Corps. at Camp Pendleton, regarding two contracts for household-goods packing, crating and storage. Their two contracts are let on a calendar year basis, and are projected to represent approximately 17,000,000 pounds of freight and $2½ - 3 million dollars in annual revenues. We are told that we face two obstacles in attempting to have these contracts set-aside under 8(a);

1) Both are already designated as set-asides for small business.
2) When let under competitive bid, the service has a second low bidder to fall back on in peak-service periods. With an 8(a) set-aside, there would be no back-up.

Toward solving these problems, we have requested and received from Camp Pendleton a forecast of average daily volumes. The volumes

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forecast are wholly within our service capabilities. Additionally, as we understand it, we are able, under 8(a) regulations, to sub-contract out as much as 95% of any contract. If this is true, then we could make arrangements with other military-approved moving company agents to handle any peak-period overflow of our capacities.

Working with Ms. Gerri Edson of the Los Angeles SBA office, we have arranged through the San Francisco office of the GSA to have set-aside as 8(a) any moving requirements in the counties of Orange and Los Angeles in excess of $5,000.00. This, of course, only pertains to those purchases which are handled by that office of the GSA.

Ms. Edson is now on a maternity leave, and in her absence, we find ourselves without our primary contact.

Ron Harding Moving Service is a five-year old, full service moving company. We perform moves within the State of California under California Public Utilities Commission Authority, CAL T#140034. Within California, we do local office and electronic moving, internal office moving, local household goods moving, and have storage available in our 26,000 sq. ft. facility. We also do custom crating.

On an interstate basis, we act as agents for Global Van Lines, for household goods, electronics, and exhibits and displays.

Our officers are:

Ronald C. Harding President Chief Executive Officer	William S. Coatsworth Executive Vice-President	Lyle A. Marshall Vice-President

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Ron Harding started in the transportation industry as an owner/operator for Global Van Lines in 1962.

In 1978, he was forced to give up that career as a result of a tragic highway accident resulting in the ambutation of both his legs.

Less than a year later, he started Ron Harding Moving Services, Inc. literally operating out of his garage.

The business has grown to the point where it now encompasses ± 40,000 sq.ft. warehouse,employing twenty-seven (27) full time employees, and utilizes thirty-seven (37) pieces of rolling stock.

During that period of time RHMS has achieved and/or accomplished the following:

- *KNX News Radio Citizen of the Week Award
- *The Mike Douglas Special People Award 1979
- *First place winner of Global Sell-A-Thon 1983
- *Recipient of Black Business Alliance Award as "Outstanding Black Business of the Year"-1983
- *Performed as the exclusive mover for the UCLA Village during the 1984 Olympics
- *Recipient of Black Business of the Year Award presented by Black Business Association of Los Angeles-1984
- *Obtained contract to be the exclusive delivery/removal carrier for Xerox Corporation
- *Elected to the White House Conference on Small Business-1986

In addition, Ron Harding Moving Service, Inc. has established business relationships with ARCO, Coca-Cola, First Interstate Bank, Fluor, General Dynamics, Printrac, and others.

Ron Harding Moving Service, Inc. started out on the principle of serving "Those who Demand Excellance." It appears to be working.

Mr. TORRES. Thank you very much, Mr. Jones. Next we'd like to hear from Mr. Ernest Camacho. Please proceed Mr. Camacho.

TESTIMONY OF ERNEST CAMACHO, PRESIDENT, PACIFICA SERVICES, INC., PASADENA, CA

Mr. CAMACHO. Thank you, Mr. Chairman, Congressman Hayes, and esteemed panel members. Thank you for giving us this opportunity to present this testimony this morning. My name is Ernest Camacho. I'm president of Pacifica Services, Inc. a California-based corporation as well as an 8(a) firm.

Pacifica Services was founded in February 1979 to provide a wide range of management, technical, and research services to Government and to private industry. Our activities are currently directed toward management and technical services. These services include civil engineering, base operation and support services, systems engineering and integration, as well as depot level repair on electronic communication and navigation equipment.

These activities cover both the commercial and military marketplace, private industry and various other branches of the Government. Our past experience in obtaining contracts and our current marketing efforts with respect to military agencies has varied from agency to agency. We have been able to negotiate successfully with the United States Air Force at the Los Angeles Air Force Station, El Segundo, for a civil engineering base operations and support services contract.

We have also negotiated successfully with the United States Coast Guard, 11th and 12th Districts, for electronic maintenance

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services, and we are currently in the process of attempting to negotiate with the U.S. Navy, SPAWARSYSCOM in San Diego, for electronic depot level repair and maintenance.

We have developed capability and expertise in these above-mentioned categories with military customers, and in each and every instance we were able to overcome obstacles set forth by the procuring agency, and at the same time provide outstanding performance to the customer.

Being a small minority business and like many other small and/or minority businesses, we are continually challenged to not only demonstrate current technical capability, but to further provide a litany of historical documentation not required of large business. In addition to these obvious barriers, there continues to be an underlying tendency to have small business omitted from the prime contracting mainstream and/or larger requirements in the Federal Procurement System. This attitude is due in part to a false mindset that big business is more cost effective and/or responsive than small business.

It's simply not enough that a small minority business has the financial wherewithal or the technical capability to perform. The small minority business has to have the perseverance to survive, must be aggressive and by all means must perform once the requirement has been awarded. However, this alone will not always insure acceptance by the agency in the next contracting cycle.

We have been the recipient of two opposing attitudes. At the Los Angeles Air Force Station, we have demonstrated exemplary performance and because of this, this requirement has been expanded, giving us much more responsibility and allowing us to play a greater role in the total facility operation. However, with the U.S. Coast Guard, we have also performed in a superior fashion under an OMB circular A-76 cost comparison type contract, where we have developed and implemented a reliable tracking system which now allows Coast Guard accurate and timely data. In spite of these types of accomplishments, we continue to be subjected to attitudes and practices which are inconsistent with the intent of the A-76 process. We negotiated in good faith with the purpose of expanding our involvement to the 12th and 13th Coast Guard Districts and after 8 months under contract with the 11th Coast Guard District, we negotiated with the 12th District, where we are currently performing with a 40 percent reduction in staffing, a higher level of quality assurance, which reflects a true cost savings to the Government. Despite the cost savings and PSI's accomplishments the 13th Coast Guard District fails to acknowledge and refuses to consider 8(a) as a viable means to accomplish their requirement.

In our efforts to enter the mainstream of Navy activities, the West AB Engineering Command [WESTNAVENGCOM] we have been confronted by a problem concerning Navy's interpretation of the Davis-Bacon wage standard. This interpretation presents a problem not unique to small business, but to large businesses as well. It effectively precludes a realistic A-76 cost comparison from being performed. The prior $2,000 standard was used for over 20 years and was reasonable, and recognized that it is not economical to manage work in the category of minor work below $2,000. And now the Navy appears to have changed that interpretation to a 16-

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man-hour standard. We believe this change is specifically intended to drive up the cost of the contractor's bid by forcing the use of Davis-Bacon wages and rates. By increasing the percentage of work to be done by Davis-Bacon work, the Navy has successfully insured that no contractor can beat the Government's in-house estimate. Based on these perceptions, and now the potential ramifications of the latest and revised Davis-Bacon guidelines, I'm coming to the conclusion that field activities will do virtually anything to insure continued in-house performance. Such is not the intent of the A-76 cost comparison process.

Pacifica Services, Inc., has consistently been judged technically competent and cost competitive in prior proposal efforts. However, we cannot, nor can anyone compete in a situation where the rules can be changed to suit the convenience of the local activity and assure the success of the in-house bid. We have determined by our past experience that our proven management and technical expertise and our demonstrated positive track record is not enough to guarantee fairness in today's Federal contracting arena.

Procurement and contracting officers, at times, simply do not fully exercise their authority and responsibility, nor do they bring to bear their sensitivity to the needs and demonstrated abilities of the small and/or minority business community. Many fail in attempting to draw synergisms between the requirements of the customer and the capabilities of the contractor. Rather, the easy way out is usually recommended—compete and compete unrestricted.

For these reasons, we have learned to call upon and use two very valuable resources when dealing with the military/Government procurement system.

The first being that the small business office falling within the purview of the secretary of each respective agency, known as the Office of Small and Disadvantaged Business Utilization. We have made constructive efforts to establish positive relationships with these offices and more specifically its individuals. Most recently, this contact proved most beneficial with a requirement which we are actively pursuing with the Navy Systems Command [SPAWARSYSCOM] in San Diego.

These individuals, their sensitivity to the small minority business communities and most importantly their knowledge of the inner workings and the procurement process within their respective programs can provide a tremendous resource in understanding the way their agency operates.

The second resource, and one which I will characterize as the reason small and minority business exists today, is the U.S. Small Business Administration. Our relationship with the SBA district and regional offices has been a valuable asset in our chest of marketing tools when used when engaging Federal agencies. We realize the value of an honest and open business relationship. Consequently, we have developed strong lines of communication and good rapport with both the region and district personnel based on those two principles.

We are also cognizant through our experience with contracting and our participation within the 8(a) program that the Small Business Administration is the only Federal agency that directly and actively participates in procurement activities for the purpose of

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enhancing and promoting minority and small business utilization in the Federal contracting system.

The absence of SBA in our dealings with the Federal Procurement System would have had a devastating adverse effect on our company. Not only would we have been severely handicapped, but clearly we would have been restrained or even prohibited from growth in Government programs as prime contractors.

We feel that these organizations have played a very key role in our development and achievements to date. I wish to thank these agencies that have participated in our firm's successes, because we recognize that absent their involvement, our current level of achievement may not have been realized.

As long as individuals in these important positions continue to strive for the utilization and development of small and disadvantaged firms, we the small and minority business community should commit ourselves to support programs and legislators who continue to champion our cause. Thank you very much.

Mr. TORRES. Thank you, Mr. Camacho, for that concise statement. We'd now like to hear next from Betty Jo Toccoli. Am I correct in pronouncing your name?

Ms. TOCCOLI. You are. You did very well.

Mr. TORRES. Thank you.

TESTIMONY OF BETTY JO TOCCOLI, PRESIDENT AND FOUNDER, LAURA LYNN COSMETICS, INC., D.B.A. TOTAL ONE DEVELOPMENT CENTERS, LOS ANGELES, CA

Ms. TOCCOLI. Good morning. Mr. Chairman, honorable committee members. I am Betty Jo Toccoli, president, founder, and major stockholder, of a small business, Laura Lynn Cosmetics, Inc., d.b.a. Total One Development Centers. Laura Lynn Cosmetics, Inc., manufactures and wholesales skin care products such as cleansers, creams, toners, hand lotion, soaps and similar products. Total One Development Centers provide highly focused corporate and individual training and consulting services.

It is indeed a pleasure for me to have the opportunity to present information in the area of small business participation in the Federal Procurement System and specifically contracts with military installations.

My wide cross-section of involvement in the small business area provides me with a wealth of data and experience. These activities include national corporate relations chair for the National Association of Women Business Owners; the founder of Public Affairs Days across the country, held in Los Angeles, Houston, Kansas City, called "Working together: Government Corporations and Women Business Owners" founded for the sole purpose of contacts and contracts. I'm a trustee of the National Small Business Association and I'm vice chair of the Southern California White House Small Business Delegation, and the California Small Business Conference.

We were introduced and encouraged to do business with the Department of Defense through a DCASR representative at an educational seminar for small businesses sponsored by the Small Business Administration and the National Association of Women Busi-

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ness Owners. We are unique, according to NAWBO, the National Association of Women Business Owners, being one of four women-owned businesses with military contracts.

Let me share our experiences. Our military business started with a presentation to the Western Army Commissary Region in Tacoma, WA, on November 26, 1984. Approval was received on January 4, 1985. The first base presentation was made to Ft. Lewis on January 15, 1985, and approval received 1 week later. This has expanded to include four commissary regions and includes the Army, Air Force, Navy, and Coast Guard branches of service. So far, we have been unable to get an appointment to present to the exchange system. Four percent of our military revenue comes from California installations.

Following are the results by region: In the Northwest we have made three regional presentations. We have received two yes's and one is pending or to date, a 67-percent success ratio. Of the bases, we have presented to eight, we've had eight yes's and a 100-percent success ratio. In California we have presented seven presentations to regions. We have no yes's, three no's, and four pending. The pending time on the four are 3 to 8 months. We have presented to five bases, we have two yes's, three no's or a 40-percent success ratio. In the Midwest we have presented to two regions, 2 yes's, 100 percent success ratio. We have presented to 15 bases, 12 yes, 2 no, 4 pending or an 80 percent success ratio In the South, which we've just started, we have presented to two regions, one yes, one pending, but only for 1 week, and a 50-percent success ratio. Eight bases, six yes, one no, one pending, 75-percent success ratio.

We feel there are three major areas to overcome in doing business with the military. The first and most important, is that we're given serious consideration. Second, is the time, the investment and the way it effects our profit ratio. Third, is the paperwork and the policies and procedures and these are usually on the local level.

Let's consider issue No. 1: Serious consideration of the presentation. I often feel I'm being given time to make the presentation, but the buyer is not open to doing business with small businesses in California. My research and experience supports a parallel difficulty for other California minority- and women-owned small businesses.

A consistent objection to overcome is that we're not a nationally advertised brand. Of course we aren't; if we were we wouldn't be a small business. However, we are prepared to do instore demonstrating 15 to 20 hours per week, educational programs on the base, heavy couponing of $1 off per product, compared to the average national brand coupon discount of 25 cents per product, a 40-percent voluntary price reduction for the product line, instore promotions and et cetera. In the areas where we have been given the opportunity to demonstrate results, we have buried the national brands by outselling them 3 to 1.

Issue No. 2, time investment. This is a critical area for small business, and this pattern is very different from one geographical region to the next. For example, in the Northwest, the decision time for the region is 14 to 35 days. For the bases it's 1 to 7 days with order time 14 to 50 days—45 days. California region, 90 to 180 days and it's still pending. The bases are 30 to 90 days and the

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order time is 90 to 420 days before we get the first order. The Midwest, the region is 1 day, the base is 1 to 7 days, 1 to 14 days before we get the first order. The South, the region is 1 to 7 days, bases 1 day and 1 to 30 days before we get the first order.

Item No. 3, paperwork, policies and procedures. It's confusing and cumbersome, depending upon the forms required by different branches of the service, plus local base and regional policies. For example, one presentation was delayed because we had filled out forms that the regional office had sent us a week before our presentation. New forms had been implemented the day before we arrived by air to make the presentation, and we could not present because we had outdated forms.

One region will require a blanket purchase agreement for each base, which means a 6- to 12-week delay, whereas another region will write orders for all bases from the one BPA for the region.

Contrary to the grapevine, we have found payment of our invoices to be prompt and efficient, and the accounting staff and other personnel in general to be very willing to assist us in all areas. The prompt pay method of 10 days after receipt of invoice has been fulfilled in all instances but one, and we feel this is an outstanding record.

What small business needs is a chance to compete. We should and must be judged on quality and saleability. With our innovative and creative entrepreneurial products and services and given the chance, we know we can deliver.

In summary, we're not asking for special treatment, but an opportunity to provide quality products. We expect honest consideration of our product in California similar to the rest of the country. We are not recommending centralized buying offices. We are asking that genuine consideration of small business as part of the existing Federal policy be given accountability on the purchasing offices in California as it is in other parts of the country. Thank you very much for the chance to share our experiences.

Mr. TORRES. Thank you very much for your excellent statement. Now, I'll hear next from Mr. Rudolpho Trujillo. Will you proceed Mr. Trujillo? Pull the microphone up close to you.

TESTIMONY OF RUDOLPHO A. TRUJILLO, PRESIDENT AND CHIEF EXECUTIVE OFFICER, TRU & ASSOCIATES, INC., HUNTINGTON BEACH, CA

Mr. TRUJILLO. Thank you, Mr. Chairman, members, staff. It's a pleasure to be here today to share some of our particular experiences with respect to being an 8(a) contractor.

Pursuant to my testimony regarding California small business participation in the Federal Procurement System, I am outlining TRU & Associates' experience in obtaining Federal contracts from military installations. As chief executive officer of TRU & Associates, Inc., a Hispanic bulk fuel refiner and regular dealer and coal dealer, we have under our 8(a) certification status dated May 9, 1985, been unable to secure an 8(a) set-aside contract for either bulk fuels or coal.

The history for minority firms participation in bulk fuels set-asides have been limited to fuel oil dealers mainly from the east

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coast and a few Southern States. With respect to coal, the regional opportunities have been concentrated in relatively the same areas of the country.

As one of the only minority oil refiners in this Nation, our position is unique and therefore has no precedent. Our experiences vis-a-vis direct marketing interface with Federal procurement agencies has been mixed. That is, a few have been receptive by virtue of their willingness in placing us on their bid list and subsequent solicitations have been forthcoming to our offices; namely, the Defense Fuel Supply Center/DOD or the Department of Defense directly, Department of Energy, U.S. Geological Survey and the Department of Transportation.

Frankly, the foregoing agencies do maintain a consistent mailer to our offices regarding opportunities to bid. However, the myriad prerequisites preclude a small business from being successful for award; that is, financial capability/support and a short timeframe to respond to the bid offers.

The expense and time factors are considerable; the California firms under small business and 8(a)'s in the oil business must travel across country or Washington, DC, where there is the obvious concentration of the Federal agencies and their representatives; Virginia and in our particular case, Cameron Station, the Defense Fuel Supply Center; and other outlying States. In order for us to compete, this may pose expense and time problems but it is a prerequisite to marketing, a direct interface to learn, and all the pertinent facts. Another drawback is the time factor allotted to respond to a bid offer. Many times we have experienced only 1 week to 10 days to prepare an exhaustive bid proposal.

Regarding financing, a project in the oil business we are presently seeking, is worth millions and millions of dollars. It is like no other business in its dollar volumes. This poses collateral problems for many firms generally, and I'm speaking of my colleagues and there's very few of us active in the oil business as minorities.

We live and work in the richest State in the Nation, and I daresay that we pay a larger percentage of the Federal tax dollars per capita. This should be reflected in contract participation and awards. However, this is not the case.

The problems related to 8(a)'s are unique by nature, and therefore additional staffing in SBA is required to carry out their task in support of small and disadvantaged firms in our industry, and yet we note continual cutbacks. The other side of this problem lies with the Federal agencies' response to the 8(a) set-aside, and I can only reiterate what my colleagues in business have indicated here. The request for set-asides by the SBA and their limited policy to implement the requests, and when I say limited, if I may ad-lib for a moment. There is a 10-percent general factor for set-asides, and many times we are competing against another 8(a). So, if you've got $100,000 worth of business and you have to split it, in our particular case, with three people, you're down to 33⅓. That's another concern that we have.

An executive policy commitment for set-asides must be made inhouse and it must be enforced and monitored for the program to succeed. And when I say inhouse, I mean at the executive level of the SBA, and I can only confirm with what Congressman Torres

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has reiterated for us here, vis-a-vis this new Acting SBA Director. This dismantling is outrageous. If we don't respond as businessmen when we note this particular type of dialog, or rhetoric that's coming from the executive level, then shame on us. We have a direct responsibility as businessmen; we pay the taxes, we hire the people, we vote and we should exercise that responsibility. But let me go on.

This executive policy commitment must start at the executive level, and I mean the President of the United States and his cabinet staff, and if it's not there we're going to be sitting here in these hearings time and time again across this Nation to no avail.

The limited staffing at SBA local, district offices, regional and central, these cutbacks, Gramm-Rudman, are what are impacting on us in a very, very negative fashion.

The SBA's lack of staff training. For example, in our particular industry—oil—there are not many SBA bureaucrats that understand the oil business, unless they're in the Department of Defense or let's say the Defense Fuel Supply Center.

The economic conditions and administrative executive budgetary considerations under Gramm-Rudman are definitely going to eventually catch up to us and this I understand Congress is addressing. A direct result is the demoralizing of staff at the SBA, which does not recognize many of the bureaucratic individuals that are committed to doing a good job for the small businessman. This type of atmosphere that would exist in a particular agency is certainly not conducive for us as businessmen in our direct interface with them. We need to support them from outside in terms of what we know they could do for us if they had the support and the commitment from the executive levels. The Federal agencies' limited support for 8(a) requisites because of practical considerations, and traditional purchasing policies. In other words, ladies and gentlemen, it's a hassle for them. It takes extra time. They must deal with volumes of paperwork, and indeed so must we.

But, in summary, and fairness, we in California have every opportunity to participate in the mainstream of Federal procurement. We must fill out the applications—the 129's—for the bid list and the bids will flow in. They'll send them to you directly. The 8(a) setaside is a unique opportunity to receive separate consideration outside of the normal small business set-asides. We in the small minority business community must learn to live, unfortunately, with that type of bureaucratic procedure and the time elements to successfully fulfill the program's intent, and in turn the agencies must implement greater volumes of contract opportunities to 8(a)'s. I'll give you a clear example. I'm going to shortly be receiving a setaside, but it's only 8 million gallons. That won't support us for 3 weeks in our business. In terms of our overhead costs, we need $100 million a year to stay in business. That seems like a large gross number, but the net backs or profit margins in our industry, when you're selling bulk fuel products, wholesale normally doesn't exceed 2 to 2½ cents a gallon.

I want to extend my appreciation for the opportunity to present our case to this important committee. We at TRU recognize your diligent efforts and concerns in maintaining small and minority opportunities. The windows should be maintained open of opportuni-

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ty, but without the executive branch and the legislative branches in full support, further erosion of the program will continue. We pray that the California small businessman will receive a fair share of the opportunities in Federal 8(a) procurement and we at TRU are committed to responding to those opportunities. In other words, we'll do the job. We'll perform. We'll fill out the paperwork, we'll respond, and we'll interface. This great Nation is the only one on this Earth which allows for an interplay of opportunities in a free market society, and we at TRU are thankful to be a part of that opportunity. And I want to thank this committee for your patience. Thank you.

Mr. TORRES. Thank you, Mr. Trujillo, for your statement.

As I indicated earlier, we wanted to hear from all of you and your particular experiences and then the panel up here will ask a series of questions related to your statement. I'm going to go right back in the same order of the presentation and ask Mr. Ozuna a pertinent question.

In your testimony you state that you identified the top 10 installations that have awarded significant dollar amounts in the engineering and electronic service areas. Would you identify those 10 top installations for us?

Mr. OZUNA. Yes, sir, Mr. Chairman; I have a list here. The top 10 are the Veston Arsenals, the NAVALEX in Washington, DC, Sunnyvale, CA, NAVSEA in Washington, McCullum, Sacramento, Fort Monmouth, NJ, Marine Corps in Washington, Mechanicsburg PA, Naval Supplies in Norfolk and NAVAIR in Washington, DC.

Mr. TORRES. Just a followup question, then. How many of the bases, of the facilities that you indicated, are east coast?

Mr. OZUNA. I would say most of them. The only—there's only two California facilities there at all.

Mr. TORRES. There are only two?

Mr. OZUNA. Only two, being McCullum and Sunnyvale.

Mr. TORRES. Did you try to market any of your services at the west coast facilities?

Mr. OZUNA. We have been trying for the last 4 years.

Mr. TORRES. Give me a little bit of background on your effort.

Mr. OZUNA. Well, obviously we've done——

Mr. TORRES. Not to belabor it, but just tell me, 4 years.

Mr. OZUNA. Well, we've done what we've done with all the rest of them by filling out all the local forms and going up and making our presentations to the different commanders and commands and of course gained a lot of promises, but that's it.

Mr. TORRES. And 4 years of this?

Mr. OZUNA. Four years of this and we still have yet to receive a contract of any sort from any California installation.

Mr. TORRES. Thank you. Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman. I have a couple of questions, maybe one with two parts to it.

Mr. Ozuna, I understand that your company was a recipient of a contract awarded under the 8(a) pilot program. Do you believe that this contract would have been awarded through the regular 8(a) program?

Mr. OZUNA. No, sir; it would not have been awarded any other way.

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Mr. HAYES. In your opinion, do you believe by activities, the military installations in particular, are making substantial efforts toward moving 8(a) procurements into the area of high technology and rapid growth?

Mr. OZUNA. No, sir.

Mr. HAYES. What are the reasons for that?

Mr. OZUNA. I believe the reasons are that they are so set in their ways in doing business with large businesses that they completely refuse to accept the fact that we in small business have got the capabilities to do what we say we can do.

Mr. HAYES. Do you think there may be a conscious attempt on the part of some to really create the basis for the demise of competition from small businesses?

Mr. OZUNA. Yes; I believe that there are some people there that are trying to do it, but I think the bureaucracy just is such that big business has the overall control of what happens to most of the military procurement. We can't compete with the type of marketing that is done by big business. What we have done instead of trying to fight the system, is we've joined them, and by that I mean that we've come up with concepts where we're joint venturing with large business in order to be qualified to get some of these contracts. And that's working well for us. I don't know that it would work for others, but it's worked well for us.

Mr. HAYES. I have a question of Mr. Jones, but I'll wait until it's scheduled.

Mr. TORRES. All right. Let me now move over to, in related fashion, to Ms. Toccoli.

You've obviously succeeded in obtaining contracts to military installations of the Northeast—or the Northwest rather. The data that you presented in your testimony, the graph, indicates that your success rate is not nearly as high at the California bases. Could you offer some reasons for this kind of discrepancy?

Ms. TOCCOLI. I choose to believe that it's bureaucracy because I still expect to do business with them. I haven't given up. I'm going to be doing business in California, because they need me. I can give them more for their dollar and their customers need me at the commissaries in California as they do other parts of the State. I think I'm not given serious consideration because yesterday I had a no given me by a base and I was told that if the color of the product had been pink instead of white, they would have been more interested. And we're interested in quality of the product, and we think that's what the consumer is interested in. So, I think it's a serious consideration by the purchasing people in California, has not arrived yet.

Mr. TORRES. So, there's a lot of bureaucracy involved as you——

Ms. TOCCOLI. Yes.

Mr. TORRES [continuing]. Indicated. And that's probably the reason why there's such a long time gap in fulfilling your order request, if any.

Ms. TOCCOLI. Getting a decision, and sometimes, and many times it's legitimate. When you first go into a regional office, if there is a period of delay and I think it's legitimate, in some instances in California, it's committee decision. Where we do not have commit-

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tee decisions for whether we get on a base or not in other parts of the country.

Mr. TORRES. Mr. Hayes, would you have any questions of Ms. Toccoli?

Mr. HAYES. No, Mr. Chairman; her testimony was adequate.

Mr. TORRES. Let me ask also our counsels here whether they have any questions that they might want to pose, Ms. Pinson or Mr. Powell? I'm sorry that I omitted you on the first round with Mr. Ozuna, but at any time I hope that you would also come forth with some questions. I'd like to raise my next question to Mr. Trujillo.

In your testimony, Mr. Trujillo, you indicated that you are a section 8(a) contractor, correct?

Mr. TRUJILLO. Yes, indeed.

Mr. TORRES. And I'm curious to know who helps you identify Federal contracts to pursue? That's one question. In fact, let me ask you about specific people and perhaps you can suggest others. Who helps you in pursuing a Federal contract?

Mr. TRUJILLO. Well, basically, Mr. Congressman, we do 80 percent of our own marketing in terms of doing our outreach, which is business, normal business practice. However, I do want to compliment certain individuals at SBA that take some initiative in identifying some set-asides in 8(a) opportunities. But, by and large, we do our own marketing through our marketing staff.

Once we meet—if I may. We meet directly, we fly to Washington and we fly to Detroit. We go where the opportunity lies. We seek it out on a direct basis.

Mr. TORRES. All right. But once you get to a specific base or a specific facility, does the contracting officer help you identify other contracts?

Mr. TRUJILLO. No; not as such. Not per se, no. They don't really go out of their way to identify them and in many cases not only the contracting officer, but the small disadvantage utilization folks that are there, take very little initiative to seek out opportunities. So, quite frankly we don't rely on anyone, Congressman. We go in very directly and deal in a very direct manner with the procurement buyers. In our case, we're unique because our product is concentrated at Cameron Station in Alexandria, VA. So, it makes it a little more easy for us to interface with a variety of folks, and that would include the coal purchasing, incidentally.

Mr. TORRES. Let's talk about the Cameron Station facility. Let's talk about the supply officer at that facility. Is he helpful to you?

Mr. TRUJILLO. Mr. Dan Calhoun has been extremely helpful from the standpoint of what the policy is there in dealing with small business. The problem lies in the prerequisite area and the financial area to qualify for the large volume contracts, but in all fairness to the procurement staff there, they are indeed professionals, they try to keep you informed of any amendments, in changes that are relative to your bid offer or your solicitation negotiation, to that extent. But, they don't obviously go out of their way to find work for you within their agency. That's really our responsibility and it's public information. It comes out on normal bid procedure.

Mr. TORRES. Based on the questions that I've just posed to Mr. Trujillo, would the rest of the panel care to comment? Do you get

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help from the local procurement SBA center, or once you approach a facility, is the procurement officer or the contract officer helpful to you in moving you along to other contracts?

Mr. CAMACHO. I'd like to respond to that.

Mr. TORRES. Mr. Camacho.

Mr. CAMACHO. In some cases I guess it varies from agency to agency, but certainly I think that we have experienced in more recent times, the acronyms of the small business disadvantage utilization officer, with the Navy down in San Diego has certainly been very helpful in providing us an entree to the contracting types within that facility. And I think that without their assistance, perhaps the information that we did receive and certainly the support by that office would not have made that opportunity available to us at all. And dealing from the standpoint of SBA, we have certainly had the support of the district and regional offices and of course, it's not their position, I feel, to identify necessarily new requirements for us. We have our own marketing effort that we run from our own corporate headquarters and I think that that's perhaps the easiest way for us to do business. We identify the requirements and ask for their support once they're identified.

Mr. TORRES. Mr. Hayes.

Mr. HAYES. Mr. Jones, I followed your testimony, at least your highlighting it with much interest. Is your business in the moving business, is that a minority business?

Mr. JONES. Most definitely.

Mr. HAYES. Not a front organization? I just have to ask you plain.

Mr. JONES. I will tell you plain.

Mr. HAYES. All right. That's what I expect.

Mr. JONES. I attached with my paperwork the background on the business itself. It's been in existence 7 years. Ron Harding, who is the sole owner of the business, is a black man who up until 8 years ago was a driver for Global Van Lines. He had a very severe accident causing the amputation of both his legs. Less than a year later he was operating out of his garage with Ron Harding Moving Services, Inc., and in the subsequent 7 years he has grown to where he is today. Ron is the sole, 100-percent owner of that company, fronting for absolutely no one aside for perhaps his wife and child.

Mr. HAYES. I ask that primarily because you seem to deal in the realm of suspicion rather than more definitive reasons for your being denied minority business.

Mr. JONES. I do or——

Mr. HAYES. In your statement you say, for example, we suspect, however, that some Government regulations are incompatible with the 8(a) program. Could you elaborate on that? What gives you reason for that suspicion? Can't you be more definite? I think it is.

Mr. JONES. OK. All righty. Since you asked, the fact of the matter is, on those attempts we have had to get 8(a) set-asides, I was hoping to be very explicit with 8(a) set-asides as opposed to small business set-asides, if you will. We have been denied virtually every single opportunity to do that. Not only with the military, incidentally. I'm just limiting this to the military, but with the Federal Government in general, and the reasons that we get, tend to be the quoting of some other Federal regulations, that it tends to

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become an either/or. If we give this to an 8(a) set-aside it inhibits our ability to have a backup carrier. It inhibits our ability, if you will, to use small businesses and one particular contract happened to have been a small business set-aside. You seem to be one or the other. We have enjoyed some business as a small business. What I attempted to do today here was show our experiences only with 8(a), which has been nil.

Mr. HAYES. There's one other suspicion that you allude to, and maybe you can elaborate on since the military is here. And I'll guess they'll respond to it at some point. You say, we suspect given our solitary experience that 8(a) certification is used as a convenience by the military enabling them to circumvent the long lead time their normal bid process requires.

Mr. JONES. The only reason we were able to get that particular contract had to do with a move that was occurring at Norton Air Force Base. This was before I came on board with the company, but I believe the move was as a result of either an expansion or an addition to a building or a brand new building that was created. In the course of building that building or making that expansion, somehow the need to move the people into a location that had slipped through the cracks. And they found themselves in a position of being all dressed up with no place to go. In the sense of the normal bid process, what it would have taken would not have met their timetable. As a result we were called upon, literally, as I was told by one of the officers there, given 8(a) certification in record time so that we would be able to perform that particular job, in order to meet their requirements. Incidentally, the attachment I put on there was prior to the job occurring, although we had already contracted for it, and they had set aside $100,000 for that job. We were able to do it for $60,000. We have not had any success since that incident with getting an 8(a) set aside.

Mr. HAYES. You end by stating:

> We even suspect that there may be a direct correlation between proximity of the east coast and the amount of 8(a) business enjoyed, because even though we're only—the only 8(a) moving concern in southern California, and continue to come up empty, we've been led to believe that such is not the case with our counterparts on the east coast.

Mr. JONES. I could not support that with empirical data. That is still suspicion and that's basically hearsay.

Mr. HAYES. OK. All right. I just wanted to clear that up. Now, one question I want to direct, Mr. Chairman, to anyone from the panel that might want to answer.

The President has proposed to dilute the effectiveness of the SBA by transferring many of its programs to the Department of Commerce. One such program is the 8(a) program. In your opinion, what would be the impact on the 8(a) portfolio, if it was transferred to MBDA? Who wants to answer?

Ms. TOCCOLI. I'll respond to that.

Mr. TORRES. May I ask, Ms. Toccoli, that you be as brief as possible because we're running short of time.

Ms. TOCCOLI. Yes; The delegates from California, southern California, from the White House Small Business Conference have considered this a major issue that we are going to take to the White House conference. We feel without the SBA and without a direct

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voice and that kind of visibility that the 8(a) program will not only be in jeopardy, but all of small business will suffer as a consequence.

Mr. HAYES. Thank you, Mr. Chairman.

Mr. TORRES. Thank you very much. Thank you, Ms. Toccoli. I thank all of you for your excellent statements and your participation this morning. You will be followed by a panel of military people who will probably respond to some of the complaints that you have. At this time I would like to conclude with the first panel and call the second to come forth.

I call them in this order and I would like the following military people to come forward: Major General Casey, Commander of the Air Force Systems Command at Norton Air Force Base, Colonel Miller, the Chief of Staff of the National Training Center, Captain Nyenhuis, executive officer at the Navy Supply Center, and Captain Hensley, the director of Supply, the Naval Weapons Center at China Lake, CA.

Thank you, gentlemen. I'm glad that this kind of hearing is able to bring the military people together, that you could meet each other and that you can give to the committee the kind of relevant testimony that we're seeking. As you've just heard the business panel did present some areas of concern to them, areas that are obviously of concern to the committee. I ask the military officers before us to try to summarize your statements. We will enter your entire statement for the record. We are short of time, so could you just summarize your statement. We want time to ask you questions.

The first person that I will call on is Major General Casey. Sir, will you proceed?

TESTIMONY OF MAJ. GEN. ALOYSIOUS G. CASEY, COMMANDER, BALLISTIC MISSILE OFFICE, AIR FORCE SYSTEMS COMMAND, NORTON AIR FORCE BASE

General CASEY. Thank you, Mr. Congressman, Congressman Hayes, staff and people assembled. As the Congressman said, I'm the commander of the Ballistic Missile Office, which is a part of the Air Force Systems Command. We are located at Norton Air Force Base, and our principal activity is the design, development, acquisition and fielding of the intercontinental ballistic missile systems for the United States.

I do thank you for the opportunity to appear to this commission. I'm very much interested in expanding our use of small business. Let me say a bit about our mission because it does bear on our ability to contract in certain ways.

Principally, we are in the business of acquiring major weapon systems. That means that our large contracts generally buy solid rocket motors, guidance systems, basing paraphernalia and so on for major weapon systems. I do not have base maintenance, janitorial service contracts, or that low technology sort of thing in my area of responsibility. Therefore, in order to work effectively in the small business area, one of the major thrusts that I have initiated is to sensitize small businesses to take on the high-technology areas.

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I'd like to say just a few notes summarized out of my statement, as you asked, relative to our progress. In 1984 we did 47.8 million dollars' worth of business with small business firms. In 1985 we did $56 million. In 1986 I expect to award somewhere between $80 and $85 million in small business. Relative to set-asides, in 1984 we set aside 4.8 million dollars' worth of work. In fiscal year 1985, we set aside $17.7 million. In fiscal year 1986, as of the end of March, we have set aside $46 million and my aspiration is to make $58 million in set-aside awards this fiscal year.

I want to just say one thing about the character of the set-aside, and let me just mention some of the contracts in our 1986 program. These contracts are already awarded or currently under competition. The first one is geodetic and geophysical support of the Small Missile Program. The second one is a radar frequency integration job. I'll just mention some more of these to give you a feel for it. The ballistic missile instructional system has to do with building a system simulator for training on the missile systems. Another is technical support for the Small Missile Integrated Logistics Support Program. We've contracted with small business for building a warhead decoy to fly on intercontinental ballistic missiles. We have a contract with a small business firm for d-base electrochemical and biological decontamination work. We have a contract with a small business for bistatic radar and meteorological measurements, and we have one for developing an automated guarantee data tracking system. I won't go on, since the above gives you some feel for the kinds of contracts we're working with in the fiscal year 1986 set-aside program.

The next category I'd like to mention briefly, is the Small Business Innovative Research Program. We have tried to make a maximum use of this program, because I think it's one of the keys to building the capability in small business to really compete in the areas that we are interested in. As you are familiar with that program, it has a phase I and phase II type contracts. Phase I is generally a contract in the neighborhood of $50,000, while the phase II can be up to $500,000, and is a follow-on to the phase I. Our record in the Small Business Innovative Research Program started with $200,000 worth of work in 1983, the first year we started into the SBIR Program. In 1984 we did $3.2 million. In 1985 we did $9.5 million and our plan for 1986 is $15.8 million in SBIR awards.

Let me say that in fiscal year 1984 we wrote 48 phase I contracts, and 3 phase II contracts. In fiscal year 1985 we wrote 49 phase I contracts and 18 phase II contracts. Just as a matter of note, out of 117 SBIR awards for 1984 and 1985, 57 of them were in California.

Finally, I cannot pass through without commenting on our record on the 8(a). It's not as good as our record on other portions of the small business program because we have not been as successful finding 8(a) firms to match our requirements over the 3 years I am talking about. We did do 3.5 million dollars' worth of business in 8(a) both in 1984 and in 1985, and we are working on an expanded set of requirements in 1986. In fact, right now I have actively working with my small business chief, Mr. Terry Carey, seated behind me, on seven requirements in the fiscal year 1986 program. In November, we awarded $2.7 million for computer aided geological design work. We have six other efforts, mostly in the software

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area. Some of these are: verification and validation of a design of a large software program; an office automation software effort; networking of our management information systems; logistics management information systems; and a computer resource support contract for what we call PATE—performance analysis test and evaluation—of a large software program that we are currently working with as an 8(a) set-aside.

So, that is our ambition in 1986, but I must admit to you that we have fallen short of our goal in 8(a) in the last 2 years. I personally believe we've made a very honest attempt to find sound capability matches. In fact, we did award the one contract you heard about here to the 8(a) moving firm. Awarding contracts in the moving area is not normally my job but we needed the contract in a hurry. It was indeed a convenience to our organization.

In summary, let me say that we think we've made real progress in getting small business interested in and taking advantage of their innovation capability in our high-technology research and development. Over the last 3 years some of the accomplishments that we are proud of include our largest set-aside contract. This is a multiyear contract in the geotechnical and siting area, which amounts to something over $60 million. We didn't take all $60 million credit in any 1 year. We have recently awarded our largest open competitive contract. Both large and small businesses bid this $18 million job and small business won. The effort was for a consolidated new front end for our Advanced Strategic Missile Research Program. We had another first for us, a small business won a complete hardware development contract for hardware to be flown on missiles, and that is the decoy program I talked to you about earlier.

We had a significant competition award to a small firm on the sounding rocket measurement system, and that program also is noted as one of our most reliable performers. We qualified a second source in competition with an existing large business to provide lithium batteries for the missile systems. We paid to qualify, at small cost to the Government, a small business as a second source, so we get advantages of competition in follow-on procurements. We also used somewhat of an innovative approach on a requirement we had for concept definition on a communications job. We were going to pick three bidders to be further competed and we set aside one of those three contracts exclusively for small business set-aside competition. The result was very satisfactory in our judgment.

Thank you for the chance to speak to your commission. That is the end of my statement, sir.

[Maj. Gen. Casey's prepared statement follows:]

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Prepared Statement of Maj. Gen. Aloysious G. Casey, Commander, Ballistic Missile Office, Air Force Systems Command, Norton Air Force Base

Thank you, Congressman Torres, for the invitation to present information on the Small and Disadvantaged Business Program at the Air Force Ballistic Missile Office (BMO). In order to present the clearest picture and to fully evaluate the following testimony, a very short discussion of the nature aspects of the BMO organization is in order.

The mission of the Ballistic Missile Office is to plan, implement and manage programs to develop and acquire the systems and subsytems, support equipment and related hardware for ballistic missile weapons systems. The program management concept selected to accomplish this mission is the Associate Contractor approach, with BMO as the systems integrator. Major program subsystems are designed, developed, tested and produced by associate contractors and furnished to the site.

As a result of this concept, BMO does not acquire small parts, subassemblies, machining, fabrication or materials on a prime contract basis. The sheer size of the major system component acquisitions affect small firm opportunities, although the alternative of thousands of small hardware contracts to be integrated into a single complex and critical system within the program reliability and need dates would not be possible.

In addition, another BMO-peculiar consideration exists. BMO is a tenant on Norton Air Force Base, therefore base support efforts such as janitorial functions, construction, grounds maintenance and food service are contracted for by the host organization, the 63rd Military Airlift Wing. Base support services form the backbone of most contracting office's small and small disadvantaged business programs. In any review of BMO small business achievements, this lack of mission in the areas traditionally the domain of small business contracting must be kept in mind.

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In spite of the above limiting factors, I am intensely proud of the conduct and achievements of the small business program at BMO, and of the program office and contracting people that are making it work. Since my assumption of command of BMO in May of 1982, I have seen the program grow at a consistant and enduring rate.

The principal opportunities offered to small business in the high technology research and development environment lie in the creativity and innovation they bring to our programs, particularly in the areas of conceptual studies. At present, over 40% of the advanced strategic missile systems studies are being performed by small firms. When SBIR contracts are added the percentage reaches 78% of advanced concept studies. While small business set-asides have shown to be a most effective contracting tool for this application, three section 8(a) contracts are in place in high technology areas. Other areas with demonstrated small business potential include software, management information systems and test design. BMO utilizes small and small disadvantaged sources for these requirements wherever effective program management principles permit.

The disadvantaged 8(a) contractor program represents the greatest challenge to our organization. Prior to 1981 we had no contracts with 8(a) firms. One of my objectives upon assuming command was to involve disadvantaged firms in the high technology fields. The success of this approach can be seen in contracts for grouting studies in deep basing, engineering computer resources support, fuel/chemical safety studies and a $2.7 million geology configuration design effort. The SBA has accepted offerings for office automation effort and for independent verification and validation of software developed for the most complex state-of-the-art hardware in the Minuteman III.

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THE ANSWERS TO YOUR SPECIFIC QUESTIONS WILL FOLLOW IN THE ORDER ASKED.

1. GOALS AND ACTUAL ACHIEVEMENTS (OBLIGATIONS) FOR FY 1984 AND FY 1985 (IN MILLIONS)

	FY 1985		FY 1984	
CATEGORY	GOAL	ACHIEVEMENT	GOAL	ACHIEVEMENT
SMALL BUSINESS	$70.0M	$56.0M	$63.0M	$47.8M
DISADVANTAGED (8(A))	4.51M	3.3M	3.0M	3.4M
DIRECT DISADVANTAGED	.5M	.063M	.5M	.024M

AS BORN OUT BY THIS CHART, I WILL NOT PERMIT MY ORGANIZATION TO NOMINATE GOAL LEVELS THAT DO NOT REPRESENT A SIGNIFICANT CHALLENGE. NOR WILL I SANCTION ANY METHOD OF MANIPULATING STATISTICS THAT WOULD MASK THE TRUE STATUS OF THESE GOALS AS MANAGEMENT TOOLS.

IN THE SMALL AND SMALL DISADVANTAGED AREAS, SUFFICIENT REQUIREMENTS HAD BEEN IDENTIFIED TO REACH THOSE GOALS. DUE TO WORKLOAD CONSTRAINTS ON OUR LIMITED CONTRACTING RESOURCES, AWARDS BY END OF FISCAL YEAR STRICTLY TO MAKE A GOOD SHOWING ON GOALS COULD NOT HAVE BEEN MADE WITHOUT VIOLATIONS OF SOUND CONTRACTING PROCEDURES. THE MOST IMPORTANT FACT TO REMEMBER IS THAT THESE REQUIREMENTS HAVE SINCE BEEN AWARDED TO SMALL FIRMS.

FY 1985 FIGURES DO NOT INCLUDE $322,000 AWARDED TO DISADVANTAGED FIRMS UNDER THE SBIR PROGRAM, BUT REPORTED AFTER THE COMPUTER CUTOFF FOR FY 85, THESE DOLLARS WILL BE SHOWN AGAINST FY 86 STATISTICS.

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2. NATURE AND DOLLAR AMOUNT OF 8(A) AWARDS BY FISCAL YEAR

CONTRACT #F04704-84-		FY 1984	
C0043	INFOTEC	2,106,737.	COMPUTER SOFTWARE SUPPORT
C0125	SONICRAFT	278,000.	ADA COMPUTER LANGUAGE STUDY
C0032	HARDING M&S	47,000.	OFFICE RELOCATION
C0136	MADDOX & STABLER	665,944.	REPAIR/ALTER BLDG 524
C0137	J R HINKLEY	1,098,167.	REPAIR/ALTER BLDG 520
C0138	J R HINKLEY	564,196.	REPAIR/ALTER BLDG 522
C0139	J R HINKLEY	1,007,964.	REPAIR/ALTER BLDG 523
C0143	VICTOR TORRES	269,100.	REPAIR/ALTER BLDG 950
TOTAL FACE VALUE		$6,037,108.	TOTAL OBLIGATED $3,400,000

CONTRACT F04704-85-		FY 1985	
C0098	FEDERAL BUILDERS	762,177.	REPAIR/ALTER BLDG 526
C0099	FEDERAL BUILDERS	539,794.	REPAIR/ALTER BLDG 527
C0069	TECH & MGMT SYST	33,000.	HEAT SINK ANALYSIS (R&D)
C0186	TECH & MGMT SYST	99,000.	FUEL/CHEMICAL STORAGE ISSUES
C0115	MIRALLES ASSOC	26,000.	ARCHITECT/ENGINEERING
TOTAL FACE VALUE		$1,459,971.	TOTAL OBLIGATED $3,300,000

THE DOLLAR VALUES SHOWN ARE CONTRACT FACE VALUES. INCREMENTAL FUNDING TECHNIQUES ACCOUNT FOR THE DIFFERENCE BETWEEN TOTALS AWARDED AND THE AMOUNTS OBLIGATED AS SHOWN ON THE PREVIOUS CHART. DOLLAR VALUES ARE NOT COUNTED AGAINST FISCAL YEAR GOALS UNTIL ACTUALLY OBLIGATED.

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3. Denials of SBA 8(a) requests

FY 1984

A. Management Information System/Office Automation System

Reason for denial-

Not eligible for 8(a) award as item had been offered as a set-aside. Also, award to disadvantaged firm under normal competitive procedures was a reasonable possibility since 10 8(a) firms responded.

B. Strategic Integrated Operations Planning Software

Disadvantaged firm did not demonstrate ability to handle sensitive software.

C. Integrated Logistics Support Planning

1. Not eligible for 8(a) as it was previously offered as a set-aside.

2. Thirteen 8(a)'s responded, therefore award to a disadvantaged firm could be reasonably expected under normal competitive procedures.

1985

Performance Analysis Technical Evaluation/Nuclear Safety Cross Check Analysis

The nominated firm was intensely examined, but firm failed to demonstrate critical skills and experience in several areas. BMO is still working with this 8(a) firm to qualify as a future source for PATE/NSCCA awards.

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4. CRITERIA FOR CONTRACT SELECTION FOR 8(A) OFFERING -

FORMAL

ANY EFFORT THAT CAN BE PERFORMED BY A DISADVANTAGED FIRM IS CONSIDERED. THE POTENTIAL SOURCE MUST DEMONSTRATE FULL SUPPORT OF PROGRAM REQUIREMENTS AND THE ACTION MUST MAKE SOUND BUSINESS AND MANAGEMENT SENSE.

INFORMAL

A. MOST FAVORABLE RANGE IS $500K TO $5M RANGE

B. MUST NOT CAUSE HARDSHIP ON ANY OTHER SMALL FIRM

C. AWARD TO DISADVANTAGED FIRM UNDER NORMAL COMPETITIVE PROCEDURES COULD NOT NORMALLY BE EXPECTED

D. NEW REQUIREMENTS WITH SHORT TIMELINES OFFER MAXIMUM PROGRAM ADVANTAGES DUE TO NON-COMPETITIVE PROCEDURES

E. PROPOSED ACTION MUST BE IN THE BEST INTERESTS OF THE GOVERNMENT

MATCHING 8(A) FIRMS WITH REQUIREMENTS

A. MOST SOURCES ARE IDENTIFIED THROUGH SELF MARKETING

B. POTENTIAL SOURCE MUST DELIVER A QUALIFICATION BRIEFING SUFFICIENT TO CONVINCE TECHNICAL PERSONNEL OF THE FIRM'S ABILITY AND EXPERIENCE IN THE GENERIC AREA

C. 8(A) FIRMS ARE LOCATED THROUGH AN AGGRESSIVE PROGRAM OF FEDERAL PROCUREMENT CONFERENCE PARTICIPATION, PLANT VISITS, ASSOCIATION, TRADE AND TECHNICAL SHOWS AND CONTACT WITH OTHER DoD SADBUS PERSONNEL. ALSO UTILIZED ARE STATE, LOCAL AND SBA MINORITY BUSINESS FAIRS; BOTH LOCAL AND NATIONAL.

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5. Requirement offered to SBA that were later returned

FY 1984

Civil Engineering Manuals

The item was for preparation of facility operational and maintenance handbooks for newly constructed buildings. The nominated source refused to propose on the requirements as stated. The source appeared to be influenced by erroneous information supplied by a third party. Project office, Contracting Officer, SADBUS and SBA contracting officer meetings with the small firm were not sufficient to convince the contractor that his bid contained unnecessary and unacceptable contingencies. The requirement was returned when the anticipated award date severely impacted the facility availability to support the program.

FY 1985

Reentry System Trainer

The first source nominated was later found to be undergoing extreme financial difficulties so grave as to jeopardize performance. SBA concurred with the return and nominated a second firm. Though appearing fully capable to perform, the company refused to document unallowable costs in their proposal and the negotiation deadlocked. After a prolonged period, the Directors of Deployment and Contracting personally intervened in a sincere attempt to obtain agreement but were unable to resolve the impasse.

The requirement was returned because of the serious impact of further delay which affected deployment of the entire system.

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Further Comments

I would like to take this opportunity to talk briefly about the Small Business Innovation Research Program. Since its inception in FY 1983, the program has achieved overwhelming success in placing small firms in the extreme lead of emerging technology development.

While the earliest results of Phase II contracts are just now becoming available, the concepts and technologies being uncovered through this program are exciting. In my opinion, I expect to see a quantum leap in the state-of-the-art in the next three years, directly traceable to the SBIR Program.

The program at BMO has advanced from a modest $200K in FY 1983 through $9.5M in 1985, with anticipated awards in FY 86 expected to surpass $14 million dollars. My program directors have integrated SBIR into their own programs, and have come to rely on SBIR as an integral element in individual missile program planning. The Ballistic Missile Office has become a major consumer of the SBIR Program within DoD, and is becoming something of a pacesetter in its integration of SBIR with mission development.

I therefore recommend that this program be continued beyond its present expiration date based on my personal and professional belief that such continuance is significant in contributing to the strength of the country.

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Conclusion

I HOPE THAT I HAVE ILLUSTRATED THAT THE SMALL BUSINESS PROGRAM AT THE BALLISTIC MISSILE OFFICE IS NOT ONLY ALIVE, BUT FLOURISHING. THE SMALL BUSINESS RESPONSE TO THE CHALLENGES OF DOING BUSINESS WITH BMO HAS BEEN GRATIFYING TO OBSERVE.

WITH ITS SYSTEMS CONTRACTING ORIENTATION AS WELL AS THE LACK OF BASE CONTRACTING MISSION, BMO IS, OF NECESSITY, ONE OF THE TOUGHEST "NUTS" IN DoD FOR ANY SMALL FIRM TO CRACK. LIKEWISE THE CRITICALITY OF OUR WORK IN MEETING THE THREATS CONFRONTING OUR NATION LEAVE NO ROOM FOR UNQUALIFIED OR MARGINALLY PERFORMING CONTRACTORS REGARDLESS OF SIZE.

A CLEAR EXAMPLE OF ORGANIZATIONAL SENSITIVITY TO SMALL FIRMS CAN BE FOUND IN A SET-ASIDE PROGRAM THAT HAS GONE FROM $4.8 MILLION IN FY 84 TO $17.7 MILLION IN AWARDS IN FY 85. YEAR TO DATE STATISTICS THROUGH 28 FEBRUARY 1986, SHOW OBLIGATED SET-ASIDE DOLLARS IN EXCESS OF $43 MILLION, WITH HALF OF THE YEAR TO GO. THESE SAME STATISTICS SHOW TOTAL SMALL BUSINESS FY 86 ACHIEVEMENTS TO BE $57 MILLION FOR THE FIVE MONTHS ENDING ON 28 FEBRUARY 1986, WHICH SURPASSES THE $56 MILLION TOTAL FOR ALL 12 MONTHS OF THE PREVIOUS YEAR.

IN SUMMARY, MY OBJECTIVE HAS BEEN TO PROVIDE BOTH OPPORTUNITY AND ENCOURAGEMENT TO CAPABLE AND TECHNICALLY QUALIFIED SMALL FIRMS TO PARTICIPATE MEANINGFULLY TO BMO PROGRAMS. AWARDS TO SMALL AND DISAVANTAGED FIRMS ARE BEING MADE, NOT JUST THROUGH THE MOTIVATION OF THE LAW, BUT BECAUSE BMO HAS COME TO DEPEND ON THEIR CONTRIBUTIONS AS AN INTEGRAL COMPONENT OF OUR PROGRAMS.

THE SMALL BUSINESS PROGRAM IS FLOWERING AT BMO. MY SATISFACTION AND PRIDE IN OUR SUCCESS, HOWEVER, WILL NOT DETER US FROM PUSHING ACHIEVEMENTS TO EVEN GREATER HEIGHTS. I RECOGNIZE THAT THIS SUCCESS IS A DIRECT RESULT OF THE DEDICATION, MOTIVATION AND SKILL OF THE MEN AND WOMEN IN OUR CONTRACTING AND PROGRAM OFFICES. THEY TYPIFY THE SPIRIT AS WELL AS THE EFFORT REQUIRED TO KEEP OUR NATION STRONG.

AGAIN MAY I THANK CONGRESSMAN TORRES AND THE COMMITTEE FOR THIS OPPORTUNITY.

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Mr. TORRES. Thank you very much, General.

We'll do much as we did with the first panel, we'll hear your testimony first and then we'll come back to you and ask individual questions. I'd like to move on now to Colonel Miller. Sir, you may proceed.

TESTIMONY OF COL. FRANK MILLER, CHIEF OF STAFF, NATIONAL TRAINING CENTER, FORT IRWIN

Colonel MILLER. Mr. Chairman, members of the committee, I'm Col. Frank Miller. I'm the Chief of Staff at the National Training Center in Fort Irwin. And with me today is my director of contracts, Lt. Col. Terry Farver. And I hold him responsible for how we function in the small business 8(a) program and all contracts on the installation.

I would like to thank you on behalf of the commanding general, General Leland for the opportunity to come before your committee during your field hearing in Los Angeles, to discuss the National Training Center's goals and programs to further the opportunities for small and small disadvantaged business programs, that are in fact designed to increase their participation in our acquisition process.

I'd like to start by telling you where Fort Irwin is located. It's located about 37 miles north of Barstow, and that puts it about halfway between Los Angeles and Las Vegas. From Barstow to the National Training Center there are four trailers. It sets in the middle of the Mojave Desert. It is surrounded by China Lake, the Marine Corps Logistic's Base, which is located in Barstow. So, it's a rather austere environment.

The committee asked for data on fiscal year 1984 and 1985 goals for small business awards and small disadvantaged business awards, as well as the actual achievement against those goals. Now, these goals are assigned to the National Training Center by our major command, which is U.S. Army Forces Command, located in Fort McPherson, GA. This has been provided to the committee for the record.

The committee also requested the nature and dollar amount of each 8(a) contract awarded during fiscal year 1984 and 1985. This also has been provided.

Mr. TORRES. If I may interrupt you at that point, Colonel, both of the charts have been distributed at the front table here and I think everybody has those, that give the amounts, the dollar amounts from each of your services reflecting set-aside awards and 8(a), et cetera?

Colonel MILLER. Yes, sir.

Mr. TORRES. Thank you.

Colonel MILLER. No SBA requests for award under the 8(a) program during 1984 or 1985 were denied. With regard to formal and informal criteria used by personnel at the National Training Center for the selection of contracts for award under the 8(a) program, U.S. Army Forces Command Regulation 715-1 requires submission of potential 8(a) requirements to the small and small disadvantaged business specialist at Forscom. And when it is apparent that a requirement is a good candidate for the program, the Na-

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tional Training Center's contracting office, contacts the Small Business Administration requesting acknowledgment that they have a contractor in the 8(a) program that is capable of accomplishing the requirement. To my knowledge the distance of that business from Washington, DC, is not a factor.

In addition to the requested data that we have provided, I would like to comment on some small business activities that are not reflected in those figures. The National Training Center has a base operations contract with a contractor that furnishes all the services for the entire installation. His subcontracts total $2,448,331, to small and small disadvantaged firms. Also, we have a unique installation. It is a one of a kind operation, and we have an instrumentation system to train the Army located in Conus. The instrumentation system is run by Amex, Inc. Amex is a $100 million developmental and operations and maintenance contract. And I think one of your witnesses today will talk about the Amex example. And I think that is reflective of the National Training Center's spirit and intent in small business and small business set-aside.

We are pleased to have been of service to the committee in furnishing the information that you requested and I thank you for the opportunity.

[Colonel Miller's prepared statement follows:]

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PREPARED STATEMENT OF COL. FRANK MILLER, CHIEF OF STAFF, NATIONAL TRAINING CENTER, FORT IRWIN

THE FOLLOWING WRITTEN TESTIMONY IS FURNISHED IN RESPONSE TO THE REQUEST FOR INFORMATION BY CONGRESSMAN PARREN MITCHELL ABOUT THE SMALL BUSINESS PARTICIPATION IN THE FEDERAL PROCUREMENT SYSTEM.

I AM COLONEL FRANK MILLER, CHIEF OF STAFF AT THE NATIONAL TRAINING CENTER AND FORT IRWIN. WITH ME IS LIEUTENANT COLONEL FARVER WHO SERVES AS THE CHIEF OF OUR CONTRACTING DIVISION.

I WOULD LIKE TO THANK YOU ON BEHALF OF THE COMMANDING GENERAL FOR THE OPPORTUNITY TO COME BEFORE YOUR COMMITTEE DURING YOUR FIELD HEARING IN LOS ANGELES TO DISCUSS THE NATIONAL TRAINING CENTER'S (NTC) GOALS AND PROGRAMS TO FURTHER THE OPPORTUNITIES OF SMALL AND SMALL DISADVANTAGED BUSINESS PROGRAMS THAT INCREASE THEIR PARTICIPATION IN OUR ACQUISITION PROCESS. AT THE NTC WE HAVE EXPERIENCED OBSTACLES DUE TO OUR REMOTE LOCATION IN THE DESERT, HOWEVER, WE ARE PROUD OF OUR EFFORTS IN ATTAINING OUR GOALS. WE CONTINUALLY STRIVE TO EXCEED THOSE GOALS, ALWAYS KEEPING IN MIND THAT THE BACKBONE OF THE COUNTRY IS ITS SMALL BUSINESSES. I WOULD LIKE TO RESPOND TO THE REQUEST FOR INFORMATION OUTLINED IN CHAIRMAN MITCHELL'S LETTER TO THE NTC.

THE COMMITTEE HAD ASKED FOR FY 1984 AND FY 1985 GOALS FOR SMALL BUSINESS AWARDS, AND SMALL DISADVANTAGED

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BUSINESS AWARDS AS WELL AS THE ACTUAL ACHIEVEMENT AGAINST THOSE GOALS. THESE GOALS ARE ASSIGNED TO THE NTC BY U. S. ARMY FORCES COMMAND (FORSCOM). FOR FY 1984 AND FY 1985, THE CHART LISTED BELOW INDICATES PRIME CONTRACTS ONLY. I WILL ADDRESS OUR ACHIEVEMENTS IN SUBCONTRACTING LATER IN MY STATEMENT.

SMALL BUSINESS AWARDS	
FY 84 GOAL	24.8%
ACHIEVED	16.4%
FY 85 GOAL	16.4%
ACHIEVED	20.7%

DISADVANTAGED BUSINESS (DIRECT) AWARDS	
FY 84 GOAL	$406,000
ACHIEVED	94,000
FY85 GOAL	94,000
ACHIEVED	205,000

THE COMMITTEE ALSO REQUESTED THE NATURE AND DOLLAR AMOUNT OF EACH 8(A) CONTRACT AWARDED DURING FY 1984 AND FY 1985.

ON 20 JUNE 1985, THE NTC AWARDED A CONTRACT TO THE SMALL BUSINESS ADMINISTRATION (SBA), ATLANTA, GEORGIA, FOR PLACEMENT OF AN 8(A) REQUIREMENTS CONTRACT TO SMOAK MANUFACTURING COMPANY, INC., TO PRODUCE TRAINING MINE

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BODIES. ESTIMATED DOLLAR VALUE WAS $516,000. A DELIVERY ORDER IN THE AMOUNT OF $92,000 WAS ISSUED DURING FY 1985. FURTHERMORE, NO SBA REQUESTS FOR AWARD UNDER THE 8(A) PROGRAM DURING FY 1984 AND FY 1985 WERE DENIED.

WITH REGARD TO FORMAL AND INFORMAL CRITERIA USED BY PERSONNEL AT THE NTC FOR THE SELECTION OF CONTRACTS FOR AWARD UNDER THE 8(A) PROGRAM, U. S. ARMY FORCES COMMAND (FORSCOM) REGULATION 715-1 REQUIRES SUBMISSION OF POTENTIAL 8(A) REQUIREMENTS TO THE SMALL AND SMALL DISADVANTAGED BUSINESS SPECIALIST AT FORSCOM. WHEN IT IS APPARENT THAT A REQUIREMENT IS A GOOD CANDIDATE FOR THE PROGRAM, THE NTC CONTRACTING OFFICE CONTACTS THE SMALL BUSINESS ADMINISTRATION REQUESTING ACKNOWLEDGEMENT THAT THEY HAVE A CONTRACTOR IN THE 8(A) PROGRAM THAT IS CAPABLE OF ACCOMPLISHING THE REQUIREMENT.

ADDITIONALLY, NO REQUIREMENTS WERE OFFERED TO THE SMALL BUSINESS ADMINISTRATION FOR AWARD UNDER THE 8(A) PROGRAM THAT WERE SUBSEQUENTLY RETURNED DURING FY 1984 AND 1985. IN ADDITION TO THE REQUESTED DATA, I HAVE FURNISHED, I WOULD LIKE TO COMMENT ON SOME SMALL BUSINESS ACTIVITIES THAT ARE NOT REFLECTED IN THE ABOVE FIGURES. THE NATIONAL TRAINING CENTER HAS A BASE OPERATIONS CONTRACT WITH A CONTRACTOR THAT FURNISHES SERVICES TO SUPPORT THE ENTIRE OPERATION OF THE

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INSTALLATION. THE FOLLOWING IS A LIST OF SUBCONTRACTS AWARDED TO SMALL AND SMALL DISADVANTAGED BUSINESSES BY OUR PRIME CONTRACTOR.

ALL-PRO TERMITE AND PEST CONTROL $ 82,764	SMALL BUSINESS
B&W SERVICE INDUSTRIES, INC. $472,835	SMALL DISADVANTAGED
CLINICAL LABORATORIES $411,048	SMALL BUSINESS
T. E. DELOSS EQUIPMENT RENTALS $ 22,680	SMALL BUSINESS
RED CARPET BUILDING MAINTENANCE CORPORATION $1,459,004	SMALL DISADVANTAGED

THE SUBCONTRACTS TOTAL $2,448,331 TO SMALL AND SMALL DISADVANTAGED FIRMS

YOU CAN SEE WHY WE ARE PROUD OF OUR EFFORTS AT THE NATIONAL TRAINING CENTER, AND ALTHOUGH THERE IS ALWAYS ROOM FOR IMPROVEMENT, WE CONTINUALLY DEMONSTRATE OUR DESIRE TO SUPPORT THESE PROGRAMS. WE ARE PLEASED TO BE OF SERVICE IN FURNISHING THE INFORMATION YOU REQUESTED AND HOPE THIS INFORMATION IS HELPFUL TO YOUR COMMITTEE IN FURTHERING SMALL AND SMALL DISADVANTAGED BUSINESS PARTICIPATION IN GOVERNMENT CONTRACTING.

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Mr. TORRES. Thank you, Colonel. We want the next panelist, Captain Nyenhuis.

TESTIMONY OF CAPT. KEITH E. NYENHUIS, EXECUTIVE OFFICER, NAVAL SUPPLY CENTER, SAN DIEGO, CA

Captain NYENHUIS. Mr. Chairman, Congressman Hayes, and staff members, I am Capt. Keith Nyenhuis. I'm the executive officer of Naval Supply Center, San Diego. I have with me today, Mrs. Ollie Bloomer, who is our staff small business specialist and my legal counsel, Steve Cates, who deals in the procurement arena.

Rear Admiral Cole, who is the commanding officer of the Naval Supply Center, regrets that he could not be here today to testify at these hearings, but he was called out for flag orientation and is out of southern California.

It is my pleasure to be able to discuss with you certain aspects of the small business program that we have at the Naval Supply Center, San Diego. I will highlight certain aspects of my written testimony which you have received into the hearing's record.

First and foremost, the Naval Supply Center is proud of its Naval Small Business Program. NSC is a major contracting activity for the Navy in San Diego. We have amongst our customers, all the ships home ported in San Diego, roughly 135, industrial activities, naval facilities, weapon system support activities, training activities, and research and development activities.

In support of those commands, we have been successful in achieving our small business goals in 5 of the last 6 fiscal years, the last 5 of the last 6 fiscal years. These goals are established for us by analysis by our small business folks through past procurement history and future procurement needs. We, at the command level, approve those goals. We send those to the Naval Supply Systems Command Headquarters in Washington, DC, who in turn gets approval of those goals by the SBA.

NSC exceeded these small business goals in fiscal year 1984 by nearly $3 million and in fiscal year 1985, by over $5 million. That achievement was attained even though the dollar goals for those fiscal years was increased year by year. NSC is also on track to meet its small business goals for fiscal year 1986. Table 1 of my testimony, that has been received into record, is the record of our achievement with the respect to these business goals. What that table does not reflect, is that in fiscal year 1985, 68 percent of all dollars to be subcontracted, as shown on subcontracting plans, was awarded to small business. And 3 percent of that amount of business went to small disadvantaged businesses.

In table 2 of my testimony, you may note that NSC does not contract merely for housekeeping services under the 8(a) program, but rather we have contracts for mess attendant services, engineering logistics services, electronic equipment repair, marine equipment repair, manufacturing services, and even library services. In fiscal year 1984 and fiscal year 1985, NSC exceeded it's goals by 35 and 44 percent respectively. Among all of the eight Naval Supply Centers in Conus, NSC, San Diego, ranked first in the last 2 fiscal years in the percent of program dollars awarded to 8(a) contractors.

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In fiscal year 1986, we have already awarded nearly $9 million to 8(a) contractors. That is 148 percent of our entire year's goals.

In addition, NSC and the Naval Electronic Systems Engineering Center, down in San Diego, are in the final stages of reviewing the technical capabilities of one prospective 8(a) contractor, with a view toward awarding a contract worth in the vicinity of $30 million, for the repair, the overhaul, and the restoration of electronic equipment. Contract negotiations may begin as early as the end of this month for services to begin in next fiscal year.

We are pleased that our close working relationship with the Small Business Administration has promoted small business opportunities of all categories, particularly in the last 2 years. NSC publishes all of its procurement actions under 10K in the Commerce Business Daily and encourages all business, particularly small and disadvantaged businesses to seek procurement action, to increase procurement opportunities through counseling that we provide and in freedom of information act requests that they send us.

NSC remains committed to achieving each of its small business goals in 1986. And as part of that commitment, we have instituted an outreach program to small business that goes as follows: We participate in the DOD area, Small Business Counsel down in San Diego. We attend Federal procurement conferences to encourage participation in our procurement actions. We attend trade fairs and we provide trade fairs to increase our use of potential suppliers. Representatives, for an example, from NSC will participate in a trade fair on March 27, with prospective 8(a) companies that will demonstrate their technical capabilities. We sponsor and participate in Navy Small and Small Disadvantaged Business Utilization Counsel down in San Diego. We conduct training for our small purchase buyers and our contract negotiators to make them more aware of the programs. We participate in the San Diego Minority Suppliers Development Counsel in the San Diego area. We cosponsor, with a local business development center, a conference for buyers and contractors to focus on disadvantaged business participation in our procurements. And those particularly that we need competition or we need to develop competition in.

Intensified counseling for individual disadvantaged contractors is provided also by our small business specialist. In that regard, my senior counsel, my senior contracting officer, and my small business specialist, each attended the first annual 8(a) program fair sponsored by Congressman Duncan Hunter in the San Diego congressional delegation in San Diego last week. According to Congressman Hunter, the procurement fair was a marked success. Although I believe we have a strong business program—small business program at NSC, and in particular a small strong disadvantaged program, we are not happy with where we are today. We are interested in pressing on. Mr. Chairman, I would be pleased to answer any questions after this.

[Captain Nyenhuis' prepared statement, with attachments, follows:]

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PREPARED STATEMENT OF CAPT. KEITH E. NYENHUIS, EXECUTIVE OFFICER, NAVAL SUPPLY CENTER, SAN DIEGO, CA

Mr. Chairman, Members of the Subcommittee, RADM Cole regrets he cannot testify at these hearings, but he was ordered to attend an eight-week flag orientation which requires that he be away from the Naval Supply Center, San Diego. I am his Executive Officer, and I am representing him at these hearings. I have been requested to discuss certain aspects of the Small and Disadvantaged Business Utilization Program at the Naval Supply Center, San Diego as that program relates to the participation of California small businesses in the federal procurement system. I have prepared tables 1 through 5 which report NSC's progress in meeting its small business goals in certain designated areas of FY 84 and FY 85. They are attached at the conclusion of this testimony.

Table 1 addresses NSC's goals and accomplishments under small business, small disadvantaged business, and women-owned small business programs for FY 84 and FY 85. Tables 2 and 3 provide data for 8(a) awards at NSC in FY 84 and FY 85, respectively. Tables 4 and 5 identify all SBA 8(a) program requests which were denied by NSC and the basis for each denial.

While the tables depict the dollar value of contracts awarded, there are several aspects of the Small Business Program which are responsive to your request for testimony. In consonance with DOD policy, it is the express policy of NSC to make maximum use of small and disadvantaged business concerns for contracts and subcontracts. While no formal or informal criteria are used by NSC personnel for the selection of contracts to award under the

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8(a) program, NSC's Deputy for Small Business regularly reviews the list of prospective 8(a) contractors identified by the Small Business Administration (SBA) in its manual, "Firms in the 8(a) Business Development Program", together with the in-depth business profiles provided by the SBA in Region IX in Southern California to determine what capabilities are available in the 8(a) program to meet prospective needs.

The Deputy for Small Business then reviews her files to determine if prior contracts for those services have been issued by NSC. If prior contract requirements have existed, she contacts the requiring activity to determine if future requirements exist. If requirements exist, she identifies prospective 8(a) contractors and arranges for technical reviews of the 8(a) company's facilities and personnel. Based upon technical capability alone, a determination is made by requiring activity personnel with the concurrence of the Deputy for Small Business and the Contracting Officer. If affirmative, an offer is made to the SBA as a matter of course.

Frequently, prospective 8(a) contractors make their availability known to both NSC and to requiring activity personnel in the area through their own aggressive marketing. The same process of matching technical capabilities with prospective requirements is conducted. SBA, itself, regularly identifies an 8(a) project or requirement from its review of Navy requirements and the possibility of awarding to an 8(a) contractor is explored. Only

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one requirement during all of FY 84 and 85, offered to the SBA for award under the 8(a) program, was returned. That project was for the development and revision of Navy Planned Maintenance System Documentation. An investigation of an award under the 8(a) program began when Integrated Systems Analysts, Inc. (hereinafter "ISA") of Arlington, Virginia advised NSC that it was interested in fulfilling the requirements. Since the capabilities of ISA were unknown to both NSC and the requiring activity, the Naval Sea Support Center, Pacific, technical briefings were held among representatives of ISA, NSC and Naval Sea Support Center, Pacific. The requiring activity was satisfied with the capabilities of ISA and the solicitation was issued and negotiated but, after several negotiation sessions, the Contracting Officer was unable to reach a final negotiated price which was reasonable.

It is also the express policy of NSC, San Diego, as part of the Navy field contracting system, to make maximum use of small business and set-aside procedures for Navy acquisitions. I and my staff provide a continuing commitment to this policy and other goals of the Navy Small and Disadvantaged Business Utilization Program for small busines, small disadvantaged business and women-owned small business. We recognize that small businesses are vital not only to the Navy supply system but to the nation's welfare, economic stability and competitive and industrial bases. This policy is the stated policy of the Navy Field Contracting System, and is prominently publicized at NSC San Diego by means of

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posters, a copy of which is included as the last item of this prepared statement.

The Commanding Officer, NSC, RADM Cole, has taken firm steps to insure that Small and Disadvantaged Business Utilization Program policy is known to all activities who process their requirements through NSC. To ensure adherence to that policy, the Commanding Officer has appointed Mrs. Ollie Bloomer, a senior civilian employee, to the full-time position of Deputy for Small Business. Mrs. Bloomer is a highly qualified procurement professional. Mrs. Bloomer actively participates in conducting orientation classes to all small purchase buyers, contract negotiators, and management and technical personnel at NSC San Diego, and at activities serviced by NSC. In these orientations, which are presented on a quarterly basis, Mrs. Bloomer provides an historical perspective of the Small Business Program, outlines the responsibilities of each Naval person involved in any way in Government contracting to support that program, gives specific guidance for their active support, and emphasizes Navy Field Contracting System policy regarding support for small business.

In addition, the Commanding Officer, Command Counsel, and the Director and Deputy Director of the Contracting Department have all participated with the Deputy for Small Business at various civic functions in the San Diego area encouraging the participating of small businesses, among them, the Federal Procurement Conference, held annually in San Diego, hosted by

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Congressmen Lowrey, Bates, Wilson and Hunter. Representatives from NSC frequently participate in similar conferences held at Long Beach, Anaheim, and neighboring states to promote small business contracting activities.

In accordance with the relevant portions of the Federal Acquisition Regulation, Chapter 19, NSC requires that all contractors receiving contracts for more than $10,000 provide small businesses and small disadvantaged concerns the maximum practicable opportunity to participate in contract performance. Subcontracting plans are required of all large businesses prior to the award of any contract in excess of $500,000 for supplies or services. The Deputy for Small Business reviews those plans. Any plan which indicates that the contractor does not intend to have participation by small businesses and/or small disadvantaged businesses is not approved. Frequently, during the review of the subcontracting plans, requirements which may properly be placed with small businesses or small disadvantaged businesses are identified to the prospective contractor. In addition, contract negotiators, when reviewing subcontracting plans, obtain an evaluation from the Regional Office of the Defense Contract Administration Service as to the prospective contractor's record of compliance under prior subcontracting plans.

NSC is proud of its strong Small Business Program. We have been successful in achieving our small business goals in five of the last six fiscal years. As can be seen from the tables enclosed in

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this statement, NSC exceeded its small business goal in FY 84 by nearly three million dollars and in FY 85 by over five million dollars. That achievement was obtained even though the dollar goals for those fiscal years increased. The success of the Small Business Set-Aside Program at NSC is, in large measure, due to our full compliance with Public Law 95-507 which requires that procurements under $10,000 be automatically set aside for participation by small business. From the display in Table 1, you can see that NSC has easily exceeded the dollar goals set for FY's 84 and 85 by 2.6 million dollars, respectively.

The goal for FY 86 has been raised to 25 million dollars. As of February 28, 1986, NSC has already met 12% of that goal and is on target to meet the goal for the year. The Commanding Officer closely monitors the statistics regarding the Small Business Program. Although the Federal Acquisition Regulation requires NSC to review the program quarterly, NSC reviews statistics on a monthly basis.

The 8(a) Program is strong at NSC San Diego. NSC has avoided falling prey to the misconception that federal agencies contract only for housekeeping services under the 8(a) Program. NSC contracts for mess attendant services, engineering logistics services, electronic equipment repair services, marine equipment repair services, manufacturing services and library services under the 8(a) Program. Tables 2 and 3 identify the specific awards by contract. Table 1 indicates that NSC has exceeded its goals in

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FYs' 84 and 85 by 35% and 44%, respectively. The 8(a) Program received 8% of all program dollars awarded by NSC in FY 85. Tables 4 and 5 list only eight circumstances in two years where a proposed 8(a) award could not be made. In two of the eight situations, award was made to another 8(a) contractor. In another, the 8(a) contractor is receiving purchase order contracts; and, in one case, small business class set-aside procedures are mandated for use.

NSC is concerned with direct awards to small disadvantaged businesses. The tables indicate, for example, that in FY 84 NSC achieved only 51% of its goal to award six million dollars in contract awards to small business and only 34% of its goal in FY 85. This category reports awards made in which small disadvantaged businesses win awards in direct competition. Aside from educating small disadvantaged businesses and encouraging their participation in competitive procurement buys, NSC can provide no legal advantage to foster their success in competitive procurements. NSC publishes all of its procurement actions over $10,000 in the Commerce Business Daily as required and encourages the use of the Freedom of Information Act by small disadvantaged businesses to discover information regarding past competitive procurements. This program is working, as this activity receives over 500 Freedom of Information Action requests from various businesses each year. Small and small disadvantaged businesses are also counseled by NSC personnel on an individual basis on how to prepare bids and to compete for awards. Our review of Tables 2

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and 3 reveals the decrease in small disadvantaged business direct awards between FY 84 and FY 85 was due to the fact that, in FY 84, disadvantaged firms were successful in competing for five mess attendant and vent cleaning contracts but, in FY 85, the vent cleaning requirements did not exist and a disadvantaged firm lost the competition for mess attendant contracts.

It is important to note that not all the contracts awarded to small disadvantaged firms are reflected in the statistics. NSC also awarded contracts with a potential value of 4.4 million dollars to small disadvantaged firms under indefinite delivery type contracts. Those awards are reported by the Naval activities that actually place orders under those contracts. Tables 2 and 3 reflect the dollar breakdown of those awards by fiscal year.

NSC does have a successful program for contracting with Women-Owned small businesses. Table 2 reflects that NSC has exceeded its goal in this area in each of the last two fiscal years, by 84% in FY 85. Since each of the awards under this program is done exclusively on a competitive basis, NSC is extremely proud of the accomplishments of women-owned businesses in this area.

NSC remains committed to achieving each of its Small and Disadvantaged Business Utilization Program goals in FY 86. As part of that commitment, NSC has instituted an outreach program which includes:

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(1) Participating in the DOD Area Small Business Council

(2) Attending Federal Procurement Conferences to encourage participation in NSC's procurements, especially by small disadvantaged businesses

(3) Attending trade fairs to increase our use of potential small business suppliers, particularly Small Disadvantaged Businesses. Representatives from NSC participated in a trade fair on March 27 where prospective 8(a) companies demonstrated their technical capabilities.

(4) Sponsoring and participating in the Navy Small and Small Disadvantaged Business Utilization Council

(5) Conducting training for small purchase buyers and contract negotiators, with particular emphasis on increasing our use of Small Disadvantaged Business sources

(6) Participating in the San Diego Minority Suppliers Development Council.

(7) Co-sponsoring, with the local Business Development Center, a conference for buyers and contractors to focus on disadvantaged business participation in our procurements and particularly those procurments for which we need competition.

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(8) Intensifying counseling for individual Small Disadvantaged Business contractors.

Finally, our policy is that small business support is the responsibility of all contracting personnel and, together with the Deputy for Small Business, we are all advocates of the Small Business Program. We invite all small disadvantaged and women-owned small businesses to compete on all competitive solicitations. In addition to synopsizing our requirements which exceed $10,000 in the Commerce Business Daily, we post the solicitations in the Contracting Department for public viewing so as to expand the number of sources made aware of our requirements. We also synopsize all awards over $25,000 to alert small businesses to possible subcontracting opportunities. A final checkpoint for ensuring compliance with the program occurs at the Contract Review Board. The function of the Contract Review Board is to review each request for proposals of more than $100,000 to ensure that it makes good business and procurement sense. One of the items the Review Board considers in procurements over $500,000 is whether or not a subcontracting plan is required and, if required, is appropriate for the procurement under review.

In addition to providing general procurement information to interested parties or to companies seeking to do business with the Government, the Contracting Department provides working pamphlets "Selling to the Military", "Guide to the Preparation of Offers for Selling to the Military", "DOD and Navy Directories of Small

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Business Specialists", "Small Business Subcontracting Directory", and "NSC, Welcome to Contracting." We also provide these pamphlets, together with samples of competitive solicitations, to Federally Sponsored Procurement Seminars. The Director of Contracting serves as my command's full time Competition Advocate who reviews all sole source requirements over $25,000 to see if the requirement can be rewritten for competition or if a portion of the requirement could be broken out for competition.

Mr. Chairman, we believe that the program at NSC is meeting the objectives of the Small Business Program, and speaking on behalf of RADM Cole, we welcome this opportunity to testify. I will be pleased to answer any questions that you or members of your Subcommittee many have now or at any other time.

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TABLE #1

SMALL BUSINESS, DISADVANTAGED BUSINESS AND WOMEN-OWNED BUSINESS PROGRAMS
(000)

Program Categories	FY84 Dollar Goal	FY84 Dollar Achieved(%)	FY85 Dollar Goal	FY85 Dollar Achieved(%)
Small Business	37,562	40,050 (107%)	41,600	47,169 (113%)
Small Business Set-Asides	22,000	24,688 (112%)	23,800	27,931 (117%)
8(a) Program	4,800	6,477 (135%)	5,600	8,086 (144%)
Disadvantaged Business (Direct)	6,000	3,084 (51%)	2,500	840 (34%)
Women-Owned	1,800	1,827 (102%)	1,900	3,491 (184%)

TABLE #2
FY 84 8(a) Awards
(000)

	Company	Services	Amount
1.	Galvan Enterprises	Mess Attendant Services	$ 144,974
2.	Hamilton Enterprises	Mess Attendant Services	1,950,313
3.	Hamilton Enterprises	Mess Attendant Services	901,074
4.	Smith Engineering	Library Support Services	593,007
5.	Galvan Enterprises	Mess Attendant Services	705,868
6.	Exceltech Dynamics	Fabricate Interface Adaptors	31,656
7.	Galvan Enterprises	Mess Attendant Services	1,019,108
9.	Applied Technology Associates	Support Improvement Plan	49,878
10.	Exceltech Dynamics	Training Simulator Modification Support Services	497,359 (IDTC
11.	Abisco Products, Inc.	Vinyl Envelopes	62,950 (IDTC
12.	Contract Systems Assoc.	Engineering Logistic Support Services	302,659
13.	Maxima Corporation	Library Support Services	242,341
14.	Hamilton Enterprises	Mess Attendant Services	496,559
15.	NDS Engineering	Repair Electric Motors	2,674,590 (IDTC)
16.	Roy Littlejohn and Associates	Triannual Inventory	39,598
Miscellaneous actions under small purchases			165
			$6,477,200

Note: Total of $3,235,000 was awarded under Indefinite Type Contracts (IDTC) for which our customers will take credit when they place orders against these contracts. In actuality, the dollar value for 8(a) awards by NSC was $9,712,000.

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TABLE #3

FY 85 8(a) Awards
(000)

	Company	Services	Amount	
1.	Contract Systems	Engineering Logistics Support Services	136	
2.	Hamilton Enterprises	Mess Attendant Services	506	
3.	Maxima Corporation	Library Services	364	
4.	Galvan Enterprises	Mess Attendant Services	165	
5.	Hamilton Enterprises	Mess Attendant Services	1,554	
6.	Amex Systems	Engineering Support Electronics	2,413	
7.	D.J. Repair	Repair Boiler Valves	325	(IDTC)
8.	Galvan Enterprises	Mess Attendant Services	556	
9.	Applied Technology	Logistic Support Services	293	
10.	Contract Systems Associates	Engineering Logistic Support Services	870	(IDTC)
11.	Galvan Enterprises	Mess Attendant Services	334	
12.	Hamilton Enterprises	Mess Attendant Services	492	
13.	Sam's Electronics	Cable Set Assembly	223	
14.	Galvan Enterprises	Mess Attendant Services	173	
Miscellaneous actions under small purchases			877	
			$8,086	

Note: A total of $1,195,000 was awarded under Indefinite Type Contracts (IDTC) for which our customers will take credit when they place orders against these contracts. In actuality, the dollar value for 8(a) awards by NSC was $9,281,000.

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TABLE #4

FY 84 8(a) REQUESTS DENIED

Company	Description of Request	Reason for Denial
Applied Technology Associates	Technical documentation and logistic support for naval electronic equipment	After a technical briefing, it was determined that the 8(a) was only marginally qualified. Contract awarded to another 8(a) company. (CSA)
E.H. Engineering Architectural Design Services	Technical documentation and logistic support for naval electronic equipment	After a technical briefing, it was determined that the 8(a) was only marginally qualified. Contract awarded to another 8(a) company.
Integrated Systems Analysts	Development and revision of Navy Planned Maintenance System (PMS) documentation	Proposal at unreasonable price. Could not come to agreement after several negotiations.

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TABLE #5

FY 85 8(a) REQUESTS DENIED

Company	Description of Request	Reason for Denial
Industrial Data Link	Fiber optic link for THAIS and IDS combined configuration	Contract negotiated competitively as project requires state-of-the-art expertise.
Industrial Data Link	Test Range Microwave System (TRMS)	Work was covered within the scope of an existing IDTC contract.
D. J. Repair & Services	Cleaning, flushing and testing of high and low pressure air systems	Work being accomplished in conjunction with major ship repair. No requirement identified under CIS Program INA capability criteria by COMNAVSURFPAC.
Good News Distribution	Sheetmetal repair	Project is a small business class set-aside.
Harbor Side Marines	Sandblast, repair, prime and paint life raft containers	Key #5 requirement did not develop to SBA's estimated value. However, the 8(a) contractor is receiving purchase orders for the work.

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IT IS THE POLICY

of the Navy, and of the Navy Field Contracting System, to make maximum use of small businesses, and set-aside procedures, for Navy acquisitions.

I shall expect continuing commitment to this policy, and to the goals of the Navy Small and Disadvantaged Business Utilization program for Small Businesses, Small Disadvantaged Businesses, and Women-Owned Small Businesses.

Small business sources are vital to the Navy Supply System.

E.K. WALKER, JR.
Commander, Naval Supply Systems Command

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CAPTAIN KEITH E. NYENHUIS
SUPPLY CORPS
U.S. NAVY

BIOGRAPHY

Captain Keith E. Nyenhuis, Executive Officer, Naval Supply Center, San Diego, California.

Captain Nyenhuis was born April 30, 1938 in Drenthe, Michigan. He graduated from Zeeland High School at Zeeland, Michigan in 1956 and attended Calvin College in Grand Rapids, Michigan. Captain Nyenhuis graduated from Calvin College in 1961 with a Bachelor's degree in Mathematics and Economics. He attended Officer Candidate School in Pensacola, Florida and was commissioned an Ensign in the United States Navy in June 1961. His initial tours of duty were as an Aviation Maintenance Officer in Iwakini, Japan and assignment to VT-26 in Beeville, Texas prior to acceptance and change of designator into the Supply Corps. Graduating from Athens, Georgia as Supply Officer in June 1966, he served in the following supply tours: Supply Officer, USS PONCHATOULA (AO-148); Material Department Director, Naval Air Station, Norfolk, Virginia; Requirements and Inventory Control Director, Naval Supply Depot, Yokosuka, Japan; Supply Officer, Naval Air Station, Moffett Field, California; Supply Officer, USS CORAL SEA (CV-43); Assistant Force Supply Officer, Commander Naval Air Force, U.S. Pacific Fleet; Shore Readiness Officer, Commander Naval Logistics Command, U.S. Pacific Fleet.

Captain Nyenhuis attended the Naval Postgraduate School in Monterey, California from 1974-1976 and was awarded a Master's Degree in Material Management.

Captain Nyenhuis' military decorations and awards include the Meritorious Service Medal, Navy Commendation Medal, Navy Achievement Medal, along with Meritorious Unit Commendations and other sea service medals.

He was promoted to Captain in May 1983.

Captain Nyenhuis is married to the former Janice VanWyke of Denver, Colorado. They have four children; Susanne, Eric, Daniel, and James.

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Mr. TORRES. Thank you very much, Captain. We'll now proceed with Captain Hensley.

TESTIMONY OF CAPT. NORMAN W. HENSLEY, DIRECTOR OF SUPPLY, NAVAL WEAPONS CENTER, CHINA LAKE, CA

Captain HENSLEY. Mr. Chairman, Congressman Hayes, other members of the committee, I am Capt. Norman Hensley, the director of supply and contracting for the Naval Weapons Center at China Lake. Accompanying me is Mrs. Lois Herrington the NWC deputy for small business. Colonel Miller, in describing the location of Fort Irwin referenced China Lake. I won't say anything more about the geographic location. We're a little bit more remote than he is being up the road a few miles.

The mission of the Naval Weapons Center is that of the principal Navy research, development, and evaluation for air warfare systems and weapons system. It is different from most Navy activities in two ways that affect our business decisions. First many of our requirements are one-of-a-kind or on the leading edge of research or for very limited production items. Reliability is critical to our design and test programs.

Second, we are among a very few Navy field activities which are authorized unrestricted contracting authority for our own requirements, rather than processing them through a regional procurement activity. This is a relatively new authority for us, having been granted to us in 1982. In that time we believe we've made substantial progress in our support for small business having raised the dollars awarded from $33 million to $57 million in 1985. Those dollars awarded in 1985 to small business was an increase of 27 percent over 1984.

The small business firms in California received a 30-percent increase in that same time. The dollars that we have awarded under the 8(a) program, which was focused on by the first panel, increased over 400 percent in 1985. With regard to high tech, we currently have a high tech contract with an 8(a) firm with a potential of reaching $96 million if our requirements meet our projections. Currently $12 million has been put into that contract today.

In the special area of the basic research, NWC is well pleased with the Small Business Innovation Research Program and the ability to fund technical innovation into small business R&D firms. In 1985, fiscal year 1985, that is, four small business firms were awarded contracts with NWC under this program. Two of these were minority firms located in California.

We also, as NSC, San Diego, have a very active outreach program, seeking to identify and match small business firms with our R&D projects. This effort is accomplished by attending Federal procurement conferences, such as the Expo Fair, Mr. Chairman, that you have sponsored for the past 3 years. NWC also cohosts an annual vendor day in the high desert area during Small Business Week and in 1984, sponsored a special 8(a) symposium. Mrs. Herrington, our small business specialist, whom I mentioned earlier, is among the most active and recognized small business specialists in attending conferences and participating in panels around the country as well as in California. In addition to encouraging and support-

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ing Mrs. Herrington's conference participation, her recommendations, the NWC commander signs directives requiring specific support for the Small and Disadvantaged Business Program and personally reviews and signs the recommended annual goals, and reviews those on a periodic basis.

While we are proud of our accomplishments to date, we are dedicated to doing even more and we have initiated some actions that make us confident that we can produce those improvements.

I thank you for your opportunity to present the NWC support for the small business program. I'm prepared to answer any questions you may have.

[Captain Hensley's prepared statement, with attachments, follows:]

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PREPARED STATEMENT OF CAPT. NORMAN W. HENSLEY, DIRECTOR OF SUPPLY, NAVAL WEAPONS CENTER, CHINA LAKE, CA

Mr. Chairman, members of the subcommittee, the Naval Weapons Center, China Lake welcomes the opportunity to testify before you. The Small and Disadvantaged Business Utilization Program is important to our country, to the Navy, and to the Naval Weapons Center. Captain Dickerson regrets he cannot testify today, and he has sent me as his senior military officer directly involved with the day-to-day workings of the Program, and Mrs. Lois Herrington, Deputy for Small Business, who reports directly to Captain Dickerson as a member of his staff. We are honored to be here.

Contracting at the Naval Weapons Center is somewhat unique from other Navy purchasing offices and just a brief summary of our background and mission will help to put it in perspective. The Naval Weapons Center is geographically located approximately 150 miles northeast of Los Angeles in the upper Mojave Desert. The local community of Ridgecrest is less than 25,000 in population. Most are either among the 5,000 NWC employees or their families. Other than our service contractors, the local small business procurement base is severely limited.

The Naval Weapons Center mission is that of principal Navy research, development, test and evaluation center for air warfare systems (except antisubmarine warfare systems) and missile weapon systems, and the National Range/Facility for Parachute Test and Evaluation.

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The purpose of the Center is to support the fleet by originating and analyzing new ideas in weapons systems and related fields of science and technology; advancing them through research, development, experimental production, test and evaluation; and assisting in introduction of the resultant weapons systems and technology into production and service use.

The Naval Weapons Center supports the Navy by conducting full spectrum laboratory operations dedicated to all phases of research, development test and evaluation, including a strong technical, and hands-on engineering development, expertise in each hardware and software component of air warfare weapons systems.

The type of materials and services procured by and for the Naval Weapons Center is somewhat difficult to state in specifics. The development of the weapons, hardware or systems of tomorrow are mostly nonrecurring in nature. These one-of-a-kind buys meet a specialized need for developing or refining a technique, or a piece of hardware. Some of the factors that affect research, development, test and evaluation (RDT&E) procurement are:

(1) Continuing RDT&E programs frequently stay with the original developer, through the various stages into pilot production, regardless of size;

(2) Hardware purchases for development often require proven critical features available from only one source, large or small business concerns;

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(3) Unsolicited proposals from both large and small business are frequently received and their acceptance depends upon the merits of the idea involved regardless of the size of the business.

Prior to 1981, the Naval Regional Contracting Office, Long Beach (NRCCLB), processed any requirements over $100,000 for the Naval Weapons Center (NWC). Beginning with fiscal year 1982, with the exception of automatic data processing equipment (ADPE) and services, the Naval Weapons Center began exercising unlimited procurement authority. Naval Weapons Center just recently received $1,000,000 authority for ADPE and which will become unlimited authority in October 1986 for such equipment and services.

I will now cover the subjects and data covered in your letter of 14 March 1986. I will specifically identify and discuss each. I will also discuss trends and/or occurrences which had an impact on our Small and Disadvantaged Business Utilization Program.

The description of Table I reflects the totals for prime contracts, small business, 8(a) and direct awards to small disadvantaged business for FY 84 and FY 85. Table II reflects totals to small business in California. Table III provides data for 8(a) awards at NWC in FY 84 and FY 85. Table IV identifies all SBA 8(a) program requests which were denied by NWC and the basis for each denial.

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Our overall small business goal was 28.5% in FY 1985. While our percentage of awards to small business did not increase enough to meet this goal, we achieved a 27% increase over 1984 small business award dollars. The total dollars awarded to California small business also increased 30%. The Naval Weapons Center did meet or exceed the overall small business goals for the previous five years (1979-1984).

While there were no 8(a) FY 1984 contracts awarded by NWC, 8(a) contract awards were made for support at NWC. An example is a $96 million cost plus award fee type of contract to Computer Technology Associates awarded by NRCCLB. Although the requirement was classified as ADPE and the contracting authority responsibility rested with the authority of NRCCLB, NWC was the technical requiring activity, and NWC fostered and fully supported this 8(a) initiative. The contract is for weapons system support and software support activities for various new combat aircraft such as the AV-8B and FA-18. For this requirement, NWC conducted a technical evaluation among three 8(a) companies and requested the 8(a) nomination of the winner. The administration of this contract and obligation of all funds is at the NWC. The cost-plus-award-fee contract is a three year contract with two one-year options with funds obligated by individual orders. To date approximately $12 million has been obligated. At the present time, CTA has an overall awarded fee rating of 75%. This score reflects the upper end of a satisfactory rating range. The score is the result of the cognizant technical personnel evaluation regarding the

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performance of CTA. CTA currently has approximately 100 employees located in the local community.

In your letter you requested information on NWC criteria for selection of contracts under the 8(a) program. It is the policy of NWC to review all NWC requirements for contracting under 8(a). Due to the highly complex technical mission of NWC, 8(a) opportuniites are limited, but we believe we are making satisfactory progress in this area. For FY 1986 we expect to award 8(a) contracts which will eventually result in orders exceeding $7 million to the successful 8(a) contractors. We are constantly seeking more 8(a) firms, especially those with high tech capabilities which can be used for NWC requirements. For example, in January 1984 NWC sponsored a symposium specifically targeting 8(a) contractors. Twenty-three 8(a) contractors attended and presented their capabilities to cognizant technical personnel, and the feedback has been highly satisfactory. NWC also actively seeks 8(a) contractors by participating in marketing programs for 8(a) firms. For example, our Deputy for Small Business, Mrs. Herrington, was sent to the National Minority Fair in Washington, D.C. In addition, Mrs. Herrington frequently attends procurement conferences sponsored by members of Congress, to actively counsel small disadvantaged business, and especially 8(a) firms, and assist them in marketing their capabilities at NWC. It is NWC policy to increase our use of 8(a) firms, and we expect to continually increase our results in future years.

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NWC has a wide range of initiatives by which we seek to increase our use of small business sources. One of these is our active participation in Congressionally sponsored procurement conferences. As indicated by the letters included as Attachment (1), Mrs. Herrington participated in Business Expo conferences sponsored by Congressman Torres in 1983, 1984 and 1985. These conferences are of great value in assisting small businesses, and small disadvantaged businesses in marketing their capabilities. In this regard, NWC also directly participates in similar conferences throughout California and nation-wide. When a representative from NWC cannot attend, handout material on doing business with NWC is provided for use at the conferences. NWC also sponsors local events, such as the 8(a) symposium mentioned above, and vendors days when open house is held to assist small businesses and small disadvantaged businesses, especially those from California, in doing business with NWC. A wide range of official NWC directives provide for support of the Small and Disadvantaged Business Utilization Program at NWC. These range from directives for our technical community, which originates our contracting requirements, to directives which specify how contracting personnel are to provide for preferential treatment of small businesses and small disadvantaged businesses. An example of this is our computerized bidders mailing list, which will provide the fullest practicable information on capabilities of small businesses, and small disadvantaged businesses, and which will give precedence to known small disadvantaged businesses in preparing source lists. In conformance with Navy Field

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Contracting System policy, it is NWC policy to make maximum use of small business, small disadvantaged business, and women-owned small business sources. Included as Attachment (2) is a poster which reflects this policy, and which we keep prominently displayed at NWC.

One of the more recent developments in the NWC Small and Disadvantaged Business Utilization Program is the Small Business Innovation Research Program. Its objective is to increase R&D awards to small business. NWC is a leading laboratory in coordination and submission of R&D awards under this program, and enthusiastically supports it as a new means of funding technological innovation in the small business R&D community. This Program also promotes economic growth in this vital sector of the nation's technological base. As a leading laboratory, NWC management emphasizes the importance of active participation in a wide variety of activities which may result in more participation by small businesses in our procurements. For example, Mrs. Herrington is an active member of the Southern California Small Business Council, which has wide exposure with the California business community. Mrs. Herrington is currently serving her second term as Treasurer of the Council, and she has also served on the Council's Small and Disadvantaged Business Awareness Committee, which is a small disadvantaged business outreach organization. Mrs. Herrington received special recognition for these efforts by award of the Council's outstanding achievement award in 1985. Additionally, Mrs. Herrington was nominated by the Los Angeles Federal Executive

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Board for the 1985 Distinguished Public Service Award in Category III - Outstanding Professional Employee Award. This nomination was in recognition for "outstanding professional competence, attitude, and total dedication to the small business program."

NWC believes its initiatives on behalf of the Small and Disadvantaged Business Utilization Program can have wider applications. In order to have greater top management awareness of these initiatives, NWC encourages visits by those with interests in small business. NWC works closely with the Small Business Administration, and is regularly visited by Ms. Arlene Washington of the Small Business Administration.

This concludes my prepared remarks. I want to assure the Committee that the Naval Weapons Center fully supports the small business program, and we will make every effort to increase awards to small firms in the future. The small business program is a team effort at the Naval Weapons Center. It has been a pleasure and an honor to appear before this distinguished Committee today.

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TABLE I

SMALL BUSINESS, DISADVANTAGED BUSINESS

($000)

PROGRAM CATEGORIES	FY 1984 DOLLAR GOAL (%)	FY 1984 DOLLAR ACHIEVED (%)	FY 1985 DOLLAR GOAL (%)	FY 1985 DOLLAR ACHIEVED (%)
Total Dollars		158,081		231,206
Small Business	22.6	45,209 (28.6)	28.9	57,429 (24.8)
8(a) Program	500	0	1,000*	4,702
Disadvantaged Business	1,500	1,079	1,500	849

*This figure did not include our $96 million requirement for weapon system support under a NRCCLB contract to CTA.

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TABLE III

FY 1984 AND FY 1985 8(a) AWARDS

FY 1985 8(a) AWARDS
($000)

COMPANY	SERVICES	AMOUNT
Solar America	Photovoltaic System	149,582
Intersystems	Utilization of Communication Interface Equipment	24,383
Craftsmen	Publication Services for Aviation Crew Maintenance Manuals	138,000 with 2 one-year options

FY 1984 8(a) AWARDS

None

TABLE II

TOTAL DOLLARS AWARDED TO SMALL BUSINESS IN CALIFORNIA

($000)

	FY 1984	FY 1985
Over $25,000	9,146	9,463
Less $25,000	14,906	21,803
Total	24,052	31,266

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TABLE IV

FY 1985 SBA 8(a) REQUESTS DENIED*

COMPANY	DESCRIPTION OF REQUEST	REASON FOR DENIAL
IDL	Automatic Data Processing	After a technical briefing, the requirement was denied based on technical merit.
Metters Industries	Automatic Data Processing	Solicitation released

*None denied in FY 1984

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...BANK AFFAIRS
SUBCOMMITTEE ON HOUSING AND
COMMUNITY DEVELOPMENT
SUBCOMMITTEE ON INTERNATIONAL
DEVELOPMENT INSTITUTIONS
AND FINANCE
SUBCOMMITTEE ON ECONOMIC
STABILIZATION
SMALL BUSINESS
SUBCOMMITTEE ON SBA AND SBIC AUTHORITY
MINORITY ENTERPRISE AND GENERAL
SMALL BUSINESS PROBLEMS
SUBCOMMITTEE ON ENERGY, ENVIRONMENT
AND SAFETY ISSUES AFFECTING
SMALL BUSINESS

Congress of the United States
House of Representatives
Washington, DC 20515

ESTEBAN E. TORRES
34TH DISTRICT, CALIFORNIA

...ASHINGTON OFFICE
...LONGWORTH HOUSE OFFICE BUILDING
...ASHINGTON, DC 20515
...(202) 225-5256

DISTRICT OFFICES
...SADDLEBACK SQUARE
...22000 ALCALDE BOULEVARD
...SUITE 117
...RANCHO, CA 92688
...(714) 829-2711

...FEDERAL SAVINGS & LOAN BUILDING
...WEST COVINA PARKWAY
...SUITE 201
...WEST COVINA, CA 91790
...(818) 814-1557

June 25, 1985

Ms. Lois R. Herrington
Small Business Programs Office
Naval Weapons Center
Code 005
China Lake, California 93555

Dear Lois:

Thank you for participating in BUSINESS EXPO '85. Your attendance, counseling of local business representatives, and written hand-outs all helped to make the EXPO a success.

One of the goals of the EXPO was to generate more business in the local community. As a former businessman I know that this objective cannot be reached overnight, but I hope you will keep me informed about whether you have initiated any new or potential contracts with local firms attending the EXPO. I hope to hear from you.

Again, thank you for your attendance. Do not hesitate to contact me about this or any other issue of interest to you.

Sincerely,

Esteban E. Torres

ESTEBAN E. TORRES
Member of Congress

EET/nc

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COMMITTEES
BANKING, FINANCE AND URBAN AFFAIRS
SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE
SUBCOMMITTEE ON ECONOMIC STABILIZATION
SMALL BUSINESS
SUBCOMMITTEE ON ENERGY, ENVIRONMENT AND SAFETY ISSUES AFFECTING SMALL BUSINESS
SUBCOMMITTEE ON EXPORT OPPORTUNITIES AND SPECIAL SMALL BUSINESS PROBLEMS

Congress of the United States
House of Representatives
Washington, D.C. 20515

ESTEBAN E. TORRES
34TH DISTRICT, CALIFORNIA

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[illegible]
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September 14, 1984

Ms. Lois R. Herrington
Small Business Programs Office
Naval Weapons Center
Code 005
China Lake, California 93555

Dear Lois:

Thank you for participating in BUSINESS EXPO '84. Your attendance, counseling of local business representatives, and written hand-outs all helped to make the EXPO a success.

One of the goals of the EXPO was to generate more business in the local community. As a former businessman I know that this objective cannot be reached overnight, but I hope you will keep me informed about whether you have initiated any new or potential contracts with local firms attending the EXPO. I hope to hear from you.

Again, thank you for your attendance. Do not hesitate to contact me about this or any other issue of interest to you.

Sincerely,

Esteban E. Torres

ESTEBAN E. TORRES
Member of Congress

EET/nc

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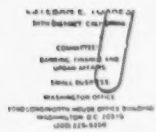

Congress of the United States
House of Representatives
Washington, D.C. 20515

July 15, 1983

Ms. Lois R. Herrington
Small Business Programs Office
Naval Weapons Center
Code 005
China Lake, California 93555

Dear Lois:

Thank you for participating in BUSINESS EXPO '83. Your attendance, counseling of local business representatives, and written hand-outs all helped make the EXPO a success.

One of the goals of the EXPO was to generate more business in the local community. As a former businessman I know that this objective cannot be reached overnight, but I hope you will keep me informed about whether you have initiated any new or potential contracts with local firms attending the EXPO. I hope to hear from you.

Again, thank you for your attendance. Do not hesitate to contact me about this or any other issue of interest to you.

Sincerely,

Esteban E. Torres

ESTEBAN E. TORRES
Member of Congress

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CAPTAIN NORMAN W. HENSLEY, SC, USN

Director of Supply

Captain Norman W. Hensley became Director of Supply and Contracting at the Naval Weapons Center in August 1984. His prior duty was with the Office of the Assistant Secretary of the Navy (Shipbuilding and Logistics) as an Assistant for Acquisition and Contract Policy.

A native of Bloomington, Illinois, Captain Hensley entered the Navy through the NROTC Scholarship Program at the University of Washington. Upon graduation in June 1961 with a Bachelor of Science Degree in Business Administration, he was commissioned an Ensign in the Supply Corps, United States Navy.

Following graduation from the Naval Supply Corps School, Athens, Georgia, Captain Hensley's first duty was as Supply Officer aboard USS TINGEY in San Diego. This assignment was followed by two-year tours of duty at Naval Air Station, Point Mugu, California, and Naval Station, Subic Bay, Philippines.

In 1967 he was assigned to the Contracting Department of the Supervisor of Shipbuilding at the Electric Boat Company, a division of General Dynamics, at Groton, Connecticut. While there he was selected for post graduate study at the University of Michigan, where he earned his M.B.A. degree in 1971. He was then assigned to the Defense Construction Supply Center, a joint service Inventory Control Point in Columbus, Ohio. During this 3-year tour he headed two divisions in the Procurement and Production Directorate.

From 1974 to 1976, Captain Hensley served as Supply Officer aboard USS BLUE RIDGE, which was the command ship during the final evacuation of Americans from Vietnam, earning the Navy Unit Commendation. His next assignment was at the Naval Supply Center, San Diego, where he led the expansion and transition of the procurement function from a division to departmental status. He subsequently served two years as the Director of Planning for the Center. In 1979, he was assigned to the Naval Surface Weapons Center where he was responsible for supply and contracting at both the Dahlgren, Virginia, and White Oak, Maryland, laboratories. He was selected in 1982 for promotion to his current rank.

Captain Hensley has been awarded the Navy Meritorious Service Medal and Joint Service Commendation Medal, in addition to Unit Commendation and Service medals.

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Mr. TORRES. Thank you, Captain. I'll address the lead off question, Congressman Hayes, to Captain Nyenhuis.

Before the hearing, I distributed two charts that summarize the data that I received from the Department of Defense. Does everybody have that? Two small charts that compare contract awards by California military installations to small and disadvantaged businesses. These charts obviously will be a part of the record.

[The charts follow:]

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COMPARISON OF CONTRACT AWARDS BY CALIFORNIA MILITARY INSTALLATIONS TO SMALL AND DISADVANTAGED BUSINESSES

	NATL. TRAINING CENTER FORT IRWIN, ARMY '84	'85	BALLISTIC MISSILE OFFICE NORTON AFB, AIR FORCE '84	'85	NAVAL WEAPONS CTR. CHINA LAKE, NAVY '84	'85	NAVAL SUPPLY CTR. SAN DIEGO, NAVY '84	'85
TOTAL AWARDS AT MILITARY BASE	$38M	$51M	$3.51B	$3.72B	$158M	$231M	$76.4M	$106.7M
SMALL BUSINESS GOAL	$9.4M	$8.3M	$63M	$70M	$35.7M	$66.7M	$37.5M	$41.6M
TOTAL AWARDS FOR SMALL BUSINESSES	$6.2M	$10.6M	$63.1M	$55.5M	$45.2M	$57.4M	$40M	$47.1M
SMALL BUSINESS SET ASIDE GOAL	**	**	$8M	$10M	**	**	**	**
SMALL BUSINESS SET ASIDE AWARDS	$4M	$5.8M	$8.5M	$14.9M	$21.3M	$35.2M	$24.6M	$27.9M
SECTION 8(A) GOALS	**	**	$3M	$4.5M	**	**	**	**
SECTION 8(A) AWARDS	$0	$92K	$4.1M	$3.3M	$0	$4.7M	$6.4M	$8.0M
DIRECT SMALL DISADVANTAGED GOALS	**	**	$500K	$500K	**	**	**	**
DIRECT SMALL DISADVANTAGED AWARDS	$94K	$113K	$24K	$63K	$1.07M	$849K	$3.08M	$840K
SMALL DISADVANTAGED BUSINESS GOAL	$407K	$94K	$3.5M	$5M	$2M	$2.5M	$10.8M	$12.6M
TOTAL AWARDS FOR SMALL DISADVANTAGED BUSINESSES	$94K	$205K	$4.12M	$3.9M	$1.07M	$5.5M	$9.56M	$8.92M

** - goal not assigned or provided

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COMPARISON OF CONTRACT AWARDS BY CALIFORNIA MILITARY INSTALLATIONS
TO SMALL AND DISADVANTAGED BUSINESSES BY PERCENTAGES

	NATL. TRAINING CENTER FORT IRWIN, ARMY		BALLISTIC MISSILE OFFICE NORTON AFB, AIR FORCE		NAVAL WEAPONS CTR. CHINA LAKE, NAVY		NAVAL SUPPLY CTR. SAN DIEGO, NAVY	
	'84	'85	'84	'85	'84	'85	'84	'85
% OF TOTAL SMALL BUSINESS AWARDS TO TOTAL AWARDS AT MILITARY BASE	16.4%	20.7%	17.9%	14.9%	28.6%	24.6%	52.4%	44.2%
% OF SET ASIDE AWARDS TO TOTAL AWARDS AT MILITARY BASE	10.5%	11.3%	.2%	.4%	13%	15%	32%	26%
% OF SET ASIDE AWARDS TO TOTAL SMALL BUSINESS AWARDS	64.5%	54.7%	13.4%	26.8%	47.1%	61.3%	61.5%	59.2%
% OF TOTAL SMALL DISADVANTAGED AWARDS TO TOTAL AWARDS AT MILITARY BASE	.2%	.4%	.1%	.1%	.6%	.2%	12.5%	31.9%
% OF TOTAL SMALL DISADVANTAGED AWARDS TO TOTAL SMALL BUSINESS AWARDS	1.5%	1.9%	6.5%	7%	2.3%	9.5%	23.9%	18.9%

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Mr. TORRES. The first chart is a comparison of contracts awarded to small and disadvantaged businesses by the four California military installations that are represented here today. The second chart is a comparison of the same bases, but broken down by the percentage of contract awards going to small businesses. Once again, may I repeat, this is the data that we have garnered directly from Department of Defense statistics.

The chart with the percentages shows, for example, that the Naval Supply Center has far surpassed the other installations here today in awarding contracts for set-aside and disadvantaged businesses. Where your installation provided almost 32 percent of its total contracts to disadvantaged businesses in 1985, the Ballistics Missile Office only provided 0.1 percent to disadvantaged businesses. The Naval Weapons Center had 0.2 percent and the Naval Training Center had only 0.4 percent.

In looking over my data and comparing it to the data that you have presented today, I'm a little confused about the discrepancies. We don't have the same information. I thought that you might offer an explanation if you could. The data that I received from the Department of Defense shows that your 1985 goal for awarding contracts to disadvantaged businesses was $12.6 million and yet, in your testimony on table No. 1, I can see a goal of $8.1 million. If the DOD data I received is correct, then you failed to meet your goal by $3 million. If your data is correct, did you, in fact, achieve your goal? Could you explain this discrepancy for me?

Captain NYENHUIS. Mr. Chairman, the information that I provided you in table 1 of my testimony, that has been received into record, indicates that our dollar goal for the 8(a) program for fiscal year 1985 was $5.6 million and we achieved a $8.8 million for 144 percent of our goal achievement. These are the basis of—these were derived from actual procurements that were made by my command and I cannot comment, sir, on your—on the figures that I see here, on the stats that you gave me, because I really don't know where they came from.

Mr. TORRES. Well, I am just trying to figure out why this big gap exists. These are official Department of Defense goals and objectives with set dollar amounts and obviously your figures do not jibe with these DOD figures. I'm trying to figure out where the large discrepancy lies.

May I just move along. Colonel Miller, I noticed in the statistics that you shared with us that Fort Irwin failed to meet its goals for 1984 for contracts awarded to both small business and disadvantaged businesses. Can you give us some explanation for the failure to meet those goals?

Colonel MILLER. Sir, we did not do very well in 1984. That is reflected in the figures. I will tell you that we do two other types of business at the National Training Center. The first is with the base operations contract. They do a substantial amount of small business contracting to the tune of about $2½ million on average each year. That is not reported through Army channels. That is reported through Air Force channels. Likewise the Amex contract, which prior to this year was about $18.5 million a year——

Mr. TORRES. Would you repeat that figure for me?

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Colonel MILLER. $18.5 million prior to this year. It is now about $9 million a year for operations and maintenance, which is an 8(a) contract, is not reported through the National Training Center, but through the contracting officers activity which is located in Micom, which is at Huntsville, AL. So, these numbers, although they are significant when you're comparing it with my individual installation contracting office, it is not reflective of the vast amount of business that we do in small business and 8(a) programs.

Mr. TORRES. Before I turn the questions over to my colleague, let me just follow up with one question. I also noticed that the goal was dropped in 1985. In fact, for disadvantaged businesses the total awards for 1984 became the goal for 1985. Would Fort Irwin only be expected to achieve that if it achieved it in other prior years?

Colonel MILLER. Sir, I can't really give you the rationale for that. That is set by U.S. Army Forces Command. It is basically dictated to us, and we follow that. But, I will tell you that we are not satisfied with that figure for 1985 and we have exceeded it already in 1986.

Mr. TORRES. You have exceeded it?

Colonel MILLER. Yes, sir.

Mr. TORRES. Mr. Hayes, I turn over the questioning to you, sir.

Mr. HAYES. Thank you, Mr. Chairman.

Colonel Miller, you testified that your small disadvantaged business goal for fiscal year 1984 was $406,000, and that you achieved $94,000. However, you did not indicate that any award was made in fiscal year 1984. Is there a reason for that?

Colonel MILLER. No, sir, not for 8(a).

Mr. HAYES. Not 8(a). Furthermore, you testified that your small disadvantaged business goal for fiscal year 1985 was $94,000.

Colonel MILLER. Yes, sir.

Mr. HAYES. You indicated that the actual achievement against the fiscal 1985 goal was $205,000. However, you testified that only one order was placed against the requirement contract in the amount of $92,000. How do you account for the other $113,000?

Colonel MILLER. Sir, we do not separate on the figures, 8(a) or disadvantaged. There's $92,000 that was specifically 8(a), there's another $113,000, approximately, that is for small disadvantaged businesses, direct.

Mr. HAYES. How do you determine whether or not a requirement is a good candidate for the 8(a) program? What are the prerequisites for making that determination?

Colonel MILLER. Sir, can I let Colonel Farver explain that to you? He is my expert.

Mr. TORRES. Will the Colonel come to the microphone so the transcriber can pick this up?

Colonel FARVER. Yes, sir; we, in my staff, look at all the requirements. If we have potential 8(a) contractors where we think it would be a good 8(a) contract we would choose that and send it in and try and get an 8(a) contractor to do it. If we receive any requests, for example, the one that's indicated on there, was for an 8(a) contract that we identified at our post as being a good potential candidate. We submitted it, the SBA came back and recommended the contractor.

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Mr. HAYES. Just for my own clarity, what are the prerequisites that qualify one to be categorized as a good candidate?

Colonel FARVER. We try and deal with small business. All of ours are small business—that's across the board. If we have a potential candidate that we think is good, and training mines was a good example on it, we selected it.

Mr. HAYES. Captain Nyenhuis.

Captain NYENHUIS. Yes, sir.

Mr. HAYES. You testified that if a requirement exists that is consistent with the capabilities of an 8(a) firm, the deputy of small business arranges technical reviews for identified 8(a) firms. During fiscal 1984 and 1985, how many of these reviews were arranged which resulted in actual offers to SBA?

Ms. BLOOMER. I would say that there has been, at least, about six projects involved.

Mr. HAYES. About six?

Ms. BLOOMER. And the only other information I can give you, we've been very successful with those technical briefings. In the last 3 years, we've failed about three.

Mr. HAYES. In 3 years?

Ms. BLOOMER. Yes.

Mr. HAYES. Now, Captain Hensley, you stated that during fiscal 1984 an 8(a) award was made for support at Naval Weapons Center in the amount of $96 million. However, the contracting authority for this procurement rested to the Naval Regional Contracting Office at Long Beach, which by an activity credited this award toward your achievement of the 8(a) goal.

Captain HENSLEY. Yes, sir; this contract—the nature of this contract was one in which an estimated dollar value for the life of the contract, the placement of the dollars into the contract actually occurs at the time that each task comes into a requirement stage. So, those dollars are credited by the Naval Weapons Center during the life of the contract.

Mr. HAYES. So, they are the ones that get credit for the $96 million?

Captain HENSLEY. The Navy Weapons Center will get credit as the dollars are awarded under the contract.

Mr. HAYES. One final question, Mr. Chairman, of all the panel of witnesses. What specific efforts are each of you making to acclimate and encourage more California firms into an area of high technology and rapid growth?

Colonel MILLER. Sir, if I might lead off. The National Training Center of the U.S. Army is part of a big success story say in about 20 years. We only have one high tech venture there. That's to instrument a realistic battle field. That is an 8(a) contract run by Amex, in total. That contract was 3 years, it was completed last year and Amex won against GDE and SAIC. I guess that's the best example I can give you, that at least in our area of high technology at the National Training Center, small business, 8(a), has done quite well.

Captain NYENHUIS. Congressman Hayes, in my synopsized remarks, I mentioned many of the things that we are involved in from the standpoint of the Naval Supply Center in the San Diego area to promote small business through our involvement with

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small business and small business concerns. And I think this is the reason why we have been relatively successful in attracting small business into those areas where we really need competition. And I guess if there's no other reason for doing these sorts of PR work that we do and the training that we do, it's to solicit more firms in the small business arena to give us the competition that we need on a year-by-year basis.

General CASEY. Sir, my answer to your question would be in using the Small Business Innovative Research Program. In my business it is necessary that we know whether or not the state of the art and capability really exist anywhere to carry out some of these high tech jobs, particularly, because we are interested in getting something done on a very tough schedule. We are creating that capability I believe, with the work that we've been doing on the SBIR Program and we expect to continue building that capability.

There is one other point I would make. One of the biggest difficulties we have in trying to implement the small business set-aside for these high tech jobs, is really a result of a provision in the Competition and Contracting Act. The current law has automatic injunction of the award should any of the bidders protest. The referencing of that judgment to the GAO for a 90-work-day period, causes great difficulty for us to utilize set-aside contracts. In fact, although we haven't had a protest succeed in all of my history in the organization, we currently have two small business set-aside contracts in protested status. Both firms won honest competitions and two disappointed bidders registered protests. Both of these contracts would have been awarded in December, and now we're waiting for a GAO judgment in May. Now, those small business firms that won the jobs, are sitting there trying to maintain the capability and personnel to perform the work, and I am waiting for the schedule to start.

Captain HENSLEY. Congressman Hayes, if I could add on to that with some final comments, with regard to NWC. Two things I think are the key to our belief that we will continue to do better in the area of small business and minority firms and primarily I would say, is we have a very strong person in the presence of Mrs. Herrington, who has the great credibility with the business community in California, as well as other parts of the country when she visits there, but particularly in California, and most importantly with our technical scientists and engineers who are the ones who have to really be convinced that we can get the reliability that's critical to our type of work. She does an excellent job at that.

The SBIR successes that we have had and most importantly this very large high tech contract that was discussed earlier, have added to the acceptance level of the scientists and engineers that small minority firms do have that kind of capability and can perform and they're much more willing to not only support the program, but actively go out and help identify firms that can do their specific tasks. We also have put together a list of those recurring contracts which we do have, identified the general nature of those contracts and make that available to all of our small business firms so that they can have more time to prepare for our requirements

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that are downstream than just when the solicitation might hit the street.

Mr. HAYES. Thank you, Mr. Chairman. I'm still a little bit mystified because I think Captain Hensley stated in his testimony that there were no 8(a) awards in fiscal year 1984, whereas in 1985 you achieved $4.7 million in 8(a) awards. The question arises, of this $4.7 million how many actions does this represent? How many of those firms are located in California? These are the things that bother me. Why were there no 8(a) awards made by the Naval Weapons Center in 1984? Here we are fighting for greater involvement of California firms regarding contracts with our services, and I don't know if we really have the answers as to what is going to be done in the future.

There's some recognition that there's been some shortage in this area, but I'm not sure if we really are establishing procedures to correct what has been wrong.

Mr. TORRES. In light of the shortness of time, I'm going to have to move the hearing along. I'd like to end with Captain Hensley, at least ask him a question now that we have him here. You described a far-reaching effort by your base, locating small and disadvantaged businesses for work. As you pointed out, Mrs. Herrington attends our business expo and we hope that she's there this September when we do it again.

You mentioned in your statement a computerized bidding list with the names of the firms that you sent out, but you don't show a location for the firms. You fail to identify where they're from. Mr. Miller, was the other group that you dealt with in Alabama?

Colonel MILLER. Georgia.

Mr. TORRES. Georgia. I'm sorry, Georgia. If I may ask the other gentleman, General Casey and the Captain to submit to us for our office use, the same list that you gave us, and also the locations of these firms. Would you do that? I want the record to show that.

Mr. HAYES. And if they'd just cover in that area, that answer, why there were no 8(a) awards made by the Naval Weapons Center in 1984, if you could make that a part of your answer.

Mr. TORRES. My last question will be to General Casey. General Casey you were very candid in your testimony when you stated that you will not permit, I repeat, not permit, your organization to nominate goals that are a significant challenge. Well, in fact, your installation failed to meet its goals in 1985 for every category but one, the set-aside awards. You suggest that to meet your goals, would require that you violate sound contracting procedures. In 1984 you did meet your goals for section 8(a) contracts, set-aside contracts and small business contracts. Did you have to violate sound contracting procedures to achieve those goals in 1984? And my other question is what happened between 1984 and 1985 to cause goals to be met one year and then not to be met the next year?

General CASEY. Well, let me say relative to our statement, it means we don't want to nominate a goal that does not represent a significant challenge. Now, I recognize that the goals that we have set are a small percentage of our total procurement dollars. But, let me tell you there is no way around that. As I mentioned to you, the bulk of what I buy are large solid rocket motors, guidance sets,

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reentry vehicles and items which are not in the capability of small businesses. Nonetheless, we set a goal that is challenging each year. You said we did meet the 8(a) goal in 1984, but only by a small amount. We did about the same amount of work in 1985, although we had increased the goal to 4.5 million dollars' worth of work we did again, in 8(a) set-aside in 1985.

We had $322,000 which is also in the testimony, in SBIR contracts that we simply couldn't get awarded before the end of the fiscal year. We picked up these awards in 1986. Now, I'm looking at the 1986 figures right now, and I see that we're going to make our goal, which again is increased over 1984 and 1985 in all categories. I am worried about us making the 8(a) goal. I read to you the list of seven items that we're looking at. One is already awarded and we have six to work. We have a chance to meet our goal in 1986, but it is a challenging goal. We will do everything we can.

No; we did not sacrifice business practices anywhere along the line. I can't do that. But, I think that we again work these conferences such as yours, very hard. I believe that the business that I am in requires some establishment of high tech capability and again, as I said, I think the SBIR is the answer to that.

Mr. TORRES. Thank you, General. Thank you other members of the military services for coming today to be with us, and providing this very important testimony. Testimony that is coupled with what we heard from the small businesses here, the 8(a) firms in the first panel. So, I want to thank you again for your excellent statements and for bringing your staffs here today.

As I mentioned after this second panel, we'll take a brief recess of about 10 minutes. The panel is now excused.

[Recess.]

Mr. TORRES. We are ready to resume our hearing.

Thank you very much for being here this morning, those of you that have stayed for the first two panels and those of you that are joining us now. We have the third panel coming up, which is represented by four persons. I'm going to call them in this order. I'm going to ask once again, as I call you forth and you take your positions up here, that you summarize your statement. We'd like to have you read it in its entirety but we don't have the time. So, you can look at it, try to summarize for us. I promise you, as is the procedure, the entire statement will be accepted and put into the record.

So, may I first call Mr. Ruben Jauregui, president of the Latin Business Association. He will be our first speaker. He will be followed by Bob Allison, the president of Intergon Corp., if you would please come up now. Mr. Victor Torres, Torres Construction Co., and Mr. Gary Nakata, Asian Business Association, would he please join us as well.

Please, gentlemen, I ask you again to be succinct and brief in your testimony. We have some questions to ask and we want to be able to pick up that part of the hearing this morning. It is very important.

We shall begin first with Mr. Jauregui. Welcome, Mr. Jauregui, to the hearing.

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TESTIMONY OF RUBEN JAUREGUI, PRESIDENT, LATIN BUSINESS ASSOCIATION, LOS ANGELES, CA

Mr. JAUREGUI. Mr. Chairman, members of the subcommittee, my name is Ruben Jauregui. As you know I am president of the Latin Business Association [LBA], a commercial trade association representing approximately 500 members from throughout the Greater Los Angeles region, all of whom are Hispanic and own 51 percent or more of their own businesses. In addition we have approximately 100 associate members and 50 corporate members, some of whom are among the country's Fortune 500 and all of whom are large companies.

As the former vice president of the LBA, I chaired the government affairs committee and had occasion to represent LBA interests before governmental bodies and to testify at a congressional field hearing.

Today, I am representing the burgeoning California Hispanic business sector and would like to compliment your subcommittee for holding this hearing in Los Angeles, the epicenter of Hispanic population in the United States. It is vital that similar congressional hearings be conducted here to allow for the participation of the many affected minority Californians who are unable to testify in Washington before Congress on the significant issue addressed today. I speak particularly of the growing population of Hispanics in California.

Our interests and concerns constitute an essential point of view which must be considered in the analysis of whether all minorities are overcoming our disadvantaged status in regard to the Federal procurement system.

Allow me to digress before returning to today's topic. One of the greatest barriers to full and effective involvement of Latinos in the Federal policymaking process is our historical remoteness to the Nation's legislative Capitol of Washington, DC. I speak in an effort to overcome the lack of understanding exhibited about and toward Latinos who settled and contributed to local and regional development and tradition, particularly in the Southwest. Moreover, continuous demographic studies evidence that Latinos in California alone could very well comprise 45 percent of the total population in 40 years. These are not pie-in-the-sky predictions but are recent projections by two UC Berkeley scholars and State employment development department researchers.

As you know, statistics abound about the Hispanic and Hispanic entrepreneur in particular. The Los Angeles area contains the largest concentration of Hispanics in the United States. The census study, 6 years ago, revealed that 2.75 million Hispanics comprised 24 percent of LA's 11.5 million population at large. Los Angeles Hispanics are 57 percent of the total California Hispanics and 19 percent of the estimated 14.6 million national Hispanic population. Of Hispanics in Los Angeles, 86 percent are predominantly of Mexican ethnicity.

What these figures do, is they demonstrate a significant and expanding trend. The Los Angeles Hispanic population has grown by 99 percent since 1970. Los Angeles is a mecca for many others be-

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sides Latinos, which means that it's only the beginning of this area as part of the Pacific Rim.

The LBA along with other prominent Latino and minority groups calls for business and Government leaders to open their eyes to the changing reality of the Nation's demographics and to factor in future prospects for narrowing the economic and political gaps that currently exist between the haves and the have nots. To ignore these signal warnings spells trouble, and portends the potential for long lasting divisions of the Nation along cultural, ethnic, and racial lines.

Today's hearing concerns business and commercial opportunities for the minority entrepreneurs who symbolize the aspirations of those minorities who strive to share in the free enterprise system and the American dream. Recent Federal proposals to eliminate the SBA altogether from the Nation's budget would impose a status quo society that would tend to continue the present economic and racial ethnic stratification by eliminating a large part of the opportunity for advancement through self-initiative and hard work. Curtailing economic incentives and assistance programs for minority business communities will have far-reaching implications that will undoubtedly compound our Nation's future ability to attain a truly integrated, multiracial, and multicultural society.

It's been reported that for every dollar spent on minority 8(a) certification, $25 of multiplied economic impact is generated. Minority small and medium businesses provide direct employment benefits and productive capacity that helps sustain the current economic expansion.

The 8(a) certification program has assisted struggling Latino entrepreneurs to attain commercial success. An example, is Manny Caldera, former owner and president of Amex Corp., a multimillion dollar high tech manufacturer who utilized the SBA Federal Assistance Program to secure Federal contracts. His example and a few others serve to inspire and motivate many other Latinos to strive for similar paths in obtaining a fair percentage of contracts from Federal departments and agencies funded through the national budget.

Our representative form of government was founded on the principal of fair representation in taxation. The same can hold for fair representation in earning and sharing the economic benefits of the expended tax dollars. In this regard, Latinos have been left out of the process. While our population base is removed from the Nation's Capital our political leverage is underrepresented and restricts our presence and influence in determining where and how Federal tax dollars should be budgeted, distributed, and awarded. Hence, the 8(a) and SBA Minority Assistance Programs have yielded greater underrepresentation for Latinos among the pool of minorities certified or successful at obtaining Federal contracts.

In preparing my statement I attempted unsuccessfully to locate a breakdown by minority group of those who qualified for 8(a) certification and those who eventually were awarded a subcontract through the SBA. If this information is available, I request that it be provided publicly to substantiate and rectify informal and alarming accounts that Latinos are grossly underrepresented in the 8(a) program.

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For every success story created by the 8(a) there exists two, three or more of those who after completing a long, tedious, and demanding process became qualified but were unable to obtain contracts despite extensive followup and diversion of limited precious resources.

Mr. Bob Varela, a member of the LBA, is such an example. He qualified for 8(a) certification 5 years ago and was unable to land a contract. He had to make a decision whether to continue allocating unlimited resources, possibly in vain, or to remain commercially competitive in the free market. He chose the latter and subsequently garnered record earnings through the production of high technology markers and labels, parking stickers, and medical labels. He's been successful in winning Government bids on an unassisted regular basis through the U.S. Government Printing Office and the Shuttle Program. He maintains that Government assistance programs have been more of a buffer than a help. His story also has the effect of influencing other Latino entrepreneurs, in a very discouraging manner, however.

The Los Angeles and San Diego 8(a) associations have expressed concerns about the effectiveness of the 8(a) program, especially for Latinos. While they adamantly advocate retention of the SBA and 8(a) programs, they remain extremely concerned that eliminating these programs is not the answer. The remedy is to establish goals and criterion that make the programs more accountable in realizing the intent and purposes that led to their establishment in the first place.

The 8(a) program was established to assist disadvantaged business owners in obtaining Federal contracts. The SBA would act as the prime contractor and provide technical assistance to promote minority capacity to compete effectively.

Acknowledging the internal SBA problems, it's imperative that the effectiveness of the SBA and the 8(a) program not be dependent upon adequate Federal funding from year-to-year and that these programs become truly effective and representative for all minority groups.

Hispanic women are reported to number only 10 in the entire nationwide 8(a) certification pool of approximately 2,500. If this is true, then a genuine disparity and inequity exists that disproves the intended spirit of the 8(a) program.

All of these factors, together with the fact that the 8(a) certification process itself takes up to 1 year, are very significant considerations which a potential participant in the program takes into account. In the vast preponderance of cases those considering whether or not to apply for certification are so discouraged and/or uninformed, they decide not to apply at all. We believe that those whom the program is intended to serve must be approached in an active rather a passive manner.

The LBA therefore recommends that a target market of potential Hispanic and other minority- and women-owned businesses be identified across the country; that the program be aggressively marketed to the target group by the SBA. The marketing program should, at a minimum, include the following three components: First, a concise, definitive information process to allow information to be disseminated about how a business can become certified in the first

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place. Second, information as to how ongoing participation in the program should be pursued; and third, a thorough explanation of the benefits which can be derived from active participation in the 8(a) certification program should be provided.

While the SBA has made laudable efforts to streamline the process and in many cases reduced the amount of time it takes to process an application, the certification process still requires quantum reductions in time and paperwork. Therefore, we also recommend that policy and/or regulatory changes be made which will enable the process to be completed in 90 days or less.

The LBA calls for a renewed commitment to disadvantaged minority firms and the 8(a) program. The LBA is prepared to provide its organizational resources from throughout California and across the country and services to assist in fostering a broader based program that disseminates actual bidding opportunities as well as the informational resources that are so critical in the preliminary phases of identifying, locating, and earning Federal contract dollars.

Thank you.

Mr. TORRES. Thank you, Mr. Jauregui, for a very important and illuminating statement. I'll move right along now, and accept a statement from Mr. Bob Allison. Mr. Allison.

TESTIMONY OF ROBERT A. ALLISON, PRESIDENT, INTERGON CORP., TORRANCE, CA

Mr. ALLISON. Thank you, Mr. Chairman. I started Intergon Corp. in 1978.

Mr. TORRES. Mr. Allison, may I interrupt you for a minute.

Mr. ALLISON. Yes.

Mr. TORRES. I know that in introducing you and calling you up here, some of you came later because you were the last panel. Perhaps you didn't have an opportunity to meet my colleague who joins me here today, the Congressman from the State of Illinois, Mr. Hayes. He will be joining with me in relevant questions about your testimony.

You may proceed.

Mr. ALLISON. Thank you, Mr. Chairman. In starting this firm, we were a commercial firm. I had spent about 20, 22 years in electronics and had elected to start this firm and to repair computers, to do design work and test equipment and such. In 1981 I commenced an effort to get into the 8(a) program. We submitted the proper paperwork, which we prepared ourselves and it took us quite awhile to do that. We submitted it, it went through the system and about a year later, we were determined that there was not enough support for a service organization to be added to repair computers or high tech equipment of that type. We then redid the package and resubmitted it and it took another year for that to be completed, to going through the system and finally in late 1983 we'd achieved a certification. It took an additional 2 years to get any backlog that represented any substantial portion of the business.

We felt that one, the procedures and the detail that was required was quite exhausting. We felt that we met situations that didn't seem to make a lot of sense, that there were people who couldn't

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get it processed through because there weren't enough people available in the SBA to process the paper in any timely fashion. And then finally when we did get into the program there seemed to be no concerted effort of assistance that would lead us to the potential of successfully bidding on contracts.

There seems to be a decided lack of knowledge on the part of procuring people about the 8(a) program and how it functions. Only in a few agencies do we find any reasonable reception.

Thank you.

[Mr. Allison's prepared statement follows:]

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PREPARED STATEMENT OF ROBERT A. ALLISON, PRESIDENT, INTERGON CORP., TORRANCE, CA

In response to your letter, dated March 13, 1986, regarding California's small business participators in the federal procurement system Section 8(a), Intergon is most pleased to testify of its experiences in obtaining certification as a Section 8(a) firm.

As with any new venture there is always a certain amount of stress and apprehension; therefore, Intergon began to extrapolate, seeking the best avenues to alleviate and reduce any unforeseen problems. We sought advice from the Small Business Administration, Los Angeles, other Section 8(a) firms, libraries, etc. We must say that the reassurance we received from the SBA office was most gratifying and encouraging. Intergon commenced its quest with the knowledge that this would be a simple procedure.

However, the simple procedure took its toll and affected our firm tremendously in both time and money. We were confident that we had followed all of the instructions and also had completed the requirements before we submitted the Section 8(a) package. Unfortunately, all of the work was unprofitable since our package as a service organization was rejected based on the fact that the government could not find enough business to justify our firm's being added to the Section 8(a) program. Eventually, Intergon hired a professional organization to orchestrate our efforts who were considered experts in submitting Section 8(a) packages for business certification.

In November 1983, Intergon Corporation, a manufacturer, was notified that it had been certified as a Section 8(a) firm. It had taken Intergon Corporation two and one-half (2½) years and of course, money.

Intergon suffered at the hands of the system and feels that there should have been less paperwork, red tape, politics and money involved for any small business firm trying to receive certification as a Section 8(a) firm. A small firm such as Intergon that can perform more than one function should be allowed to check more than one box, e. g. service and manufacturer. This allowance will be cost effective for both the small businessman and the government.

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Mr. TORRES. That concludes your statement?

Mr. ALLISON. Yes.

Mr. TORRES. Thank you very much, Mr. Allison. We'll move along right now to Mr. Victor Torres. Mr. Victor Torres.

TESTIMONY OF VICTOR P. TORRES, PRESIDENT, VICTOR P. TORRES CONSTRUCTORS, INC., ONTARIO, CA

Mr. VICTOR TORRES. Thank you, Congressman Torres, Congressman Hayes, and ladies and gentlemen. My name is Victor P. Torres, president of Victor P. Torres Constructors, a general building contractor with offices in Ontario, CA, and an 8(a) contractor out of the district office of Los Angeles. I'm also representing the National Association of Minority Contractors as its second vice president, with membership throughout the United States encompassing black, Hispanic, Asian, and other minorities classified under the Small Business Administration.

I personally was designated an 8(a) company in approximately April 1982. After nearly a year of certification review, the approval was made. If it had not been for congressional inquiries from Congressman George Brown and Senator Alan Cranston's office, said review would, no doubt, have taken much longer.

As a national board member to the National Association of Minority Contractors, I have worked closely with other minority contractors wanting to become 8(a) certified. A common complaint expressed by aspiring 8(a) firms is the lengthy delay encountered during the review process. In three specific instances, I have personally been successful in encouraging minority firms to resubmit their 8(a) packets after they had given up hope the first time around. These firms are accustomed to fighting an uphill battle, but it seems overwhelming without a timely response to the certification review.

In the past, several high-ranking officials of the SBA have indicated their concern for unnecessary delays in the certification process and felt it could be accomplished within 90 days. Unfortunately, high turnover within the SBA's hierarchy has not allowed for this to be fully implemented.

In summary, we at the National Association of Minority Contractors encourage the SBA to implement a fast track method of certification approval, whereby firms can expect a reasonable timeframe for overall review. Since previous 8(a) officials concede that the review process can be accomplished within 90 days, it is no longer a question of can it be done, but rather why hasn't it been implemented. Thank you.

Mr. TORRES. Thank you, Mr. Victor Torres. We'll move right over to Mr. Gary Nakata. Mr. Nakata.

TESTIMONY OF GARY NAKATA, EXECUTIVE SECRETARY, ASIAN BUSINESS ASSOCIATION, LONG BEACH, CA

Mr. NAKATA. Yes; thank you, Mr. Chairman, distinguished Members. My name is Gary Nakata. I'm the executive secretary of the Asian Business Association. We thank you for this opportunity to speak to you regarding the SBA 8(a) program.

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And our organization believes that this vital and important program must be continued under its existing organization, the Small Business Administration.

Regarding the topic of today's hearing, the ABA believes that California businesses do have additional barriers to overcome in order to be 8(a) certified. We are located in the largest concentration of minority businesses in the country, yet only 146 of us are 8(a) contractors in the Los Angeles district. The figures are even more alarming for Asian/American firms, as only 11 of these companies are on the program, which represent only 7.5 percent. This compares to 46 percent of the California minority business as stated in the 1983 report from the California Department of Corporations or 35 percent of Los Angeles County in the 1970 census.

The greatest barrier that we feel in becoming an 8(a) firm is the contract support. I think there's many horror stories, shall we call them, that are very similar to Bob Allison's where the time period averages between 2 to 3 years. Within contract support, I believe there's two factors in revolving in that. One is the lack of participation of local Federal agencies in designating their support for a particular applicant. The second area, which to a certain degree is equally as crucial, is the evaluation of SBA in determining whether or not there is 8(a) support.

In the firms that we have poled, most of them were rejected, initially rejected, but due to their perseverance they were finally approved. And the major reason why they were initially rejected was the contract support. Even though several of them had letters of support from Federal agencies, it wasn't deemed sufficient enough by the SBA. In each of these cases it took congressional assistance by the local Congressman or Senator in order to awaken SBA in reevaluating and redetermining that there was indeed 8(a) contract support.

Once on the program, I believe the feeling is that there is less and less support from SBA due to the turmoil that they are under. Also, I think, the pressures from the administration to slowly dissolve the agency, the personnel from SBA are doing less and less, as there are less and less personnel and to a great extent I think they are rather concerned about their futures and their jobs.

In looking at the overall view, we would like to make one suggestion in the procurement arena. And that is we feel that the subcontracting goals as stated in Public Law 95-507 should be stated in the Business Commerce Daily for each contract. At this point we know that there is no enforcement of Public Law 95-507, and hopefully in this way that agencies and their prime contractors can be, shall we say, embarrassed in listing higher goals instead of 0.7 percent or ridiculous goals such as that. And this concludes my remarks. Thank you.

[Mr. Nakata's prepared statement follows:]

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PREPARED STATEMENT OF GARY NAKATA, EXECUTIVE SECRETARY, ASIAN BUSINESS ASSOCIATION, LONG BEACH, CA

Mr. Chairman, distinguished members and fellow business owners:

Thank you for this opportunity to speak to you regarding the SBA's 8(a) Program. The Asian Business Association believes that this vital and important program must be continue under its existing organization, the Small Business Administration. While the Agency has its faults and detractors, it is incomprehensible to imagine America's small and minority business community without it.

Likewise it will be difficult to absorb the loss of a champion of small and minority business, Congressman Joseph Addabbo. We wish recognize and honor his achievements and commitment to the advancement of minority enterprise. Our sadness is intensified by the realization of the pending retirement of our other leader, Congressman Parren Mitchell. We hope that within this committee, the new generation of leadership will arise to carry on the battle that these two giants have devoted their lives to and have brought us that much closer to accomplishing the goal of full participation in the American economic system. We will miss their presence and force in the halls of Congress while the Nation will miss their foresight and leadership.

Regarding the topic of this hearing, the Asian Business Association firmly believes that California minority-owned

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businesses do have additional barriers to overcome in becoming 8(a) certified. We are located in the largest concentration of minority businesses in the country, yet only 146 of us are 8(a) Contractors in the Los Angeles SBA District. The figures are even more alarming for Asian American firms as only 11 companies are in the program which represents a meager 7.5 percent. This compares with 46 percent of California minority businesses as stated in the 1983 report from the California Department of Corporations or 35 percent in Los Angeles County in the 1970 Census. These statisics highlite a surprising and unknown fact that there are a dominate number of Asian American companies in the California minority business community.

Unfortunately these facts also reaffirm that historically, Asians haven't truely participated in government programs assisting minority businesses. Most of the Asian 8(a) firms that we polled were initially rejected, primarily due to the apparent lack of contract support as determined by SBA. However each of these firms had identified potential procurement sources who were willing to buy from them. All of the rejected firms needed congressional assistance in order for the SBA to reconsider and admit that there was indeed, contract support. In their search for federal marketing sources, these firms discovered that generally more buyers in the east were familiar with the 8(a) Program and were willing to participate.

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Many Asian firms feel there was a lack of sensitive by SBA personnel. In fact one owner was told in confidence that the program was directed towards the Blacks and Hispanics, and he would have an extremely difficult time becoming certified. This is after he had already been rejected twice for contract support even though he had letters of support from federal procurement activities. It took the District Director to personally verify that there was support in order to approve his application.

Another owner was discouraged from applying five years ago because of his high educational background as an engineer. It made little difference that it was a SBA priority to qualify hi-tech companies which inherently have highly educated personnel. According to this local office, his doctorate disqualified him as being disadvantaged. On the average these firms spent two to three years of persistant efforts to become certified. We don't know the countless others who gave up in attempting to overcome these excessive barriers to participate in a program designed to assist businesses such as theirs.

Even though the Los Angeles District Office is one of the largest offices in the country, it is extremely small when considering the number and percentage of businesses it has to serve in relation to the entire country. It has been necessary due to limited resources to control the number of

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8(a) firms in the district which automatically created additional hardships for the vast numbers of minority firms in Los Angeles. It does seem that Asian companies had to bear the brunt of the burden.

Once in the program, firms seem to be receiving less support than ever before. In the most crucial area, SBA is taking a less aggressive approach in obtaining already identified procurement opportunities for its contractors. Many procurement center representatives along with the SADBU's seem to act as buffers. We believe the newest contractors are probably being hurt the most since they tend to have the least amount of knowledge and experience in federal procurement and 8(a) arena.

In the spirit of budget reduction, buyers are denying 8(a) set-asides and are demanding full and open competition in order to receive the lowest price. Usually SBA will tell the contractor that there is nothing they can do and drop the matter without further action or discussion. Other times contracting officers will tell 8(a) firms that the continuation of identified procurement program is uncertain due to the budget and therefore not a good candidate for set-aside.

In viewing the overall procurement systems and given the realities of the SBA and federal contracting organizations, we suggest a potential enforcement technique for Public Law 95-507. We believe federal agencies and

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their prime contractors can be encourage to increase their goals for subcontracting to small and minority-owned businesses. This can be accomplish by listing all subcontracting goals when each awarded contract is published in the awards section of the Commerce Business Daily. Hopefully agencies and primes will be enbarrassed to set or negotiate higher subcontracting goals in the future.

We thank you for your time and consideration in hearing our testimony. And for you Congressman Mitchell, our deepest gratitude for a job well done and fondest wishes for prosperity and happiness in the future.

Mr. TORRES. Thank you, Mr. Nakata. I'm going to yield the floor to Congressman Hayes to pose the first question.

Mr. HAYES. I have one question. All the panelists have indicated a time factor in 8(a) certification, and I'd like to direct this one question to three people on the panel, Mr. Nakata of the Asian Business Association, Mr. Jauregui—how do you pronounce it?

Mr. JAUREGUI. That's close enough.

Mr. TORRES. Jauregui.

Mr. HAYES. Jauregui. And Mr. Victor Torres of the National Association of Minority Contractors. It is my understanding that many potential 8(a) requirements in excess of $500,000 for services other than construction are categorized as national buys, as opposed to local buys. For these national buys all 8(a) firms are capable of marketing these opportunities as opposed to local buys that only firms in the locality of the buying activity are eligible to receive. Ultimately the firm which is most successful in marketing a national buy will most likely end up with the contract. Assuming that it is technically qualified and the requirement meets the firms approved level of support in its business plan, what assistance does your organization provide to 8(a) firms to enable them to enhance their marketability with Federal buying activities, in particular those located in California. What kind of assistance do you provide for them? Each of you.

Mr. VICTOR TORRES. I'd like to respond first, please.

Mr. HAYES. Mr. Victor Torres?

Mr. VICTOR TORRES. Yes, sir; Mr. Hayes, we have a national office in Washington that acts as liaison with those individuals that are classified as the small businessperson for their respective agencies, and we have dialog with them not only in Washington, but encourage them to come out to the west coast and identify the requirements. Unfortunately, not all businesses have the capability of going to Washington and having a face-to-face meeting with these people and certainly there can be other alternatives to seek out these contracts other than having to go to Washington. So, it

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may appear to be a problem of accessibility with those people who have the authority and in most cases the commitment to make the awards, but as I said, there seems to be a lack of accessibility, particularly since we're clear across the country. And that seems to be a problem, in spite of our mechanism of networking of the executive staff that we have in Washington, DC.

Mr. HAYES. Mr. Jauregui?

Mr. JAUREGUI. With the exception of the staffing situation, which we do not have in Washington, DC, yet, we encounter a similar type of problem, the accessibility, the remoteness. In addition to that, all of our efforts are primarily carried out by volunteer members of the organization rather than staff. We do have an executive director and other staff, but it's not ample enough to address specific issues. We take them on as part of our overall thrust in the area of advocacy.

Mr. NAKATA. Our position is very similar to LBA's in that we do not have a staff in Washington, DC. The other aspect too, is due to the low, meager numbers of agents on the 8(a) program. We only have five within our organization, so, it's more of an individual case-by-case basis. We do try, in the terms of advocacy, to reach out and have meetings with the various Federal local agencies around here. But, again, I believe that it takes more direction from the top in order to achieve what needs to be accomplished on the bottom.

Mr. HAYES. If you had adequate staff on the Washington scene, do you think your success might be much greater?

Mr. NAKATA. I definitely do believe so. I believe the pot does cook over in your territory. And in many cases the access of many of the buys are really on the east coast, so you need someone to be stationed on the east coast to take advantage of that. Being on the west coast the activities aren't that receptive to 8(a) firms and the 8(a) program. That you're getting more of a bang on your dollar over on the east coast.

Mr. HAYES. Thank you, Mr. Nakata.

Mr. TORRES. Thank you Mr. Hayes. Just a quick question for the witnesses. In Congress, my Republican friends send me letters telling me that the Nation's small business community doesn't really want the Small Business Administration. They have no use for it and they don't really use it. You've been somewhat critical of SBA today, critical of how long it takes to become certified. Are any of you recommending that SBA should be eliminated as a solution to the problems you've described?

Mr. JAUREGUI. Not in the least. On the contrary, we think it should be augmented, Congressman. The 8(a) serves an extremely important purpose. It gives many of us viability, it gives us the opportunity, it gives us the leverage that we need in order to establish ourselves as viable businesses in our community. In a survey that is yet to be publicized, it's been determined that 80 percent of all the firms in the country employ 50 persons or less, which means from that point of view, 80 percent of all businesses across the country are small businesses. A good number of those wouldn't exist but for the LBA and the services it provides. Granted there are problems in the administration of some of these services, but we would be far worse off without them than we would be given the alternatives. And, we, I think I can speak for everybody here,

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but they can speak for themselves if they want to, we would adamantly oppose the abolition of the SBA. We always have and would continue to support and laud any efforts that would take a contrary position.

Mr. TORRES. Thank you. Mr. Allison, did you want to make a comment?

Mr. ALLISON. Yes; basically, I feel that Government agencies require paper to run on. People getting into that program are first put into this process of all of the paper that's involved in it. SBA is a limited staff. It tries, I'm sure, to do all the things that it's supposed to do, and that problem of delay and time to get things done exists because of large organizations. And because if you're trying to do all these things and do them properly, it takes time and detail and people to do it.

Furthermore in looking at the whole process of the SBA and what they are attempting to do and what they have done, I think they've been successful and I think they have done a good job. I think they continue to do a good job. I think obviously placing them in the current position doesn't help anything. I think that the problems that we face as small businesses trying to get business from a large governmental agency is going to go nowhere unless there is some pressure from an SBA type law and program to try to get these guys to give contracts to smaller companies, because they can always give the job to a large corporation, and if they fail or don't deliver, or whatever, the buyer has no problem. I mean, he gave it to the best guy and if they didn't deliver, that's all right. If you give it to a small guy and he doesn't deliver or has a problem, then that buyer is also under pressure. They're saying why did you do that. Why didn't you give it to the big guy. It seems to me that SBA is a proper advocate in the matter of Federal procurement and without them, we don't have anything else.

Mr. TORRES. Mr. Victor Torres?

Mr. VICTOR TORRES. Yes; I believe that my criticism of the SBA, unlike that of wanting to do away with it, is to encourage more funding for it, because it appears as though with the high turnover, especially at the hierarchy of the SBA, administrators changing, people who are in charge of the 8(a) program changing constantly. That creates problems, and I think what we need to have is a sustained effort to support the SBA.

Also, in January there were a couple of statewide business meetings sponsored by the White House Conference on Small Business, and I'm proud to say that I am a delegate to that meeting in August in Washington, and it was unanimous that the retention of the SBA, the support of the SBA was unanimous in both the Los Angeles—I should say the Anaheim Convention as well as the San Francisco Convention. The No. 1 concern was to maintain the SBA. So, that I would say to those people of the Republican persuasion, that they need to talk to their constituents, because it's their constituents themselves that state that they want to maintain the SBA and not only that but to provide more support and I hope that that will be the outcome of the meeting in August in Washington.

Mr. TORRES. Thank you, gentlemen.

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Mr. NAKATA. Sir; I just want to say we concur with that and we have yet to meet a small business organization who doesn't unanimously support and encourage SBA in its present form.

Mr. TORRES. Thank you. All of you have been eloquent representatives for your organizations. I want to thank you once again for taking time out of your busy day to be here with us. I'd like to now excuse the panel and call upon the next two speakers. Thank you very much, gentlemen.

Since the SBA has been one of the issues of contention here, our next speakers will be Mr. Stephen Bangs, Assistant Regional Administrator, region IX of the Small Business Administration, and Mr. Hawley Smith, District Director of the Small Business Administration here in Los Angeles.

Welcome Mr. Bangs and Mr. Smith. We look forward to hearing your comments. As you know, we've had an intensive day of hearing testimony from various sectors. We'd like to have you summarize your statements. We will enter your entire statement into the record. Mr. Hayes, who is now running a little behind time may have to leave us before the session is finished. I did, however, want to afford him the opportunity to hear you. Please proceed, Mr. Bangs.

TESTIMONY OF R. STEPHEN BANGS, ASSISTANT REGIONAL ADMINISTRATOR, REGION IX, U.S. SMALL BUSINESS ADMINISTRATION, SAN FRANCISCO, CA, ACCOMPANIED BY M. HAWLEY SMITH, DISTRICT DIRECTOR, LOS ANGELES DISTRICT OFFICE

Mr. BANGS. Thank you very much, Mr. Chairman, Congressman Hayes, committee staff members. I'm pleased to appear before you today to discuss the efforts of the Small Business Administration to obtain contracting opportunities for 8(a) firms in California. Also appearing with me today is M. Hawley Smith, District Director of our Los Angeles District Office.

We in region IX are proud of our efforts to assist minority small businesses, particularly those that participate in the 8(a) program. We feel that we have a strong and diverse portfolio of 8(a) firms with excellent capabilities to provide products and services, including construction, to Federal Government procuring activities under the 8(a) program.

At the end of fiscal year 1985, the region IX 8(a) portfolio consisted of 400 firms, 136 of which were located in the Los Angeles District area. As of February 28, 1986, the portfolio had increased to 412 firms, with 143 in Los Angeles.

In terms of 8(a) contract dollar volume, region IX ranks second Nationwide, exceeding all other SBA regions except for region III located in Philadelphia. Among District Offices, the Los Angeles district office also ranks second Nationwide surpassing all others except the Washington, DC. District Office. In fiscal year 1985, over 429 million dollars in 8(a) contracts and modifications were awarded to region IX 8(a) firms. Of this total, over $254 million, or approximately 59 percent went to Los Angeles District 8(a) companies.

For the first 5 months of fiscal year 1986, ending February 28, over $170 million in 8(a) contract awards have been placed with

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region IX 8(a) firms. Of this total over $88 million, or approximately 51 percent went to Los Angeles District 8(a) firms. Although these figures for fiscal year 1986 represent only the first 5 months of the year, we are pleased to note that the regional contract volume of $170 million already exceeds the regional total of $165 million for the first 6 months of fiscal year 1985.

The administration of the MSB and COD programs in region IX including the 8(a) program and the 7(j) program, has been decentralized to the district offices. Each of our seven district offices has the authority and responsibility for the overall business development of its 8(a) portfolio firms, including the identification, negotiation, award and administration of 8(a) contracts with its 8(a) firms. Our SBA, MSB and COD staff in region IX consists of a total of 35 employees, including 4 at the regional office and 11 at the Los Angeles District office.

The Los Angeles District office keeps apprised of the capabilities of the 8(a) firms in its portfolio through the annual review process, which includes field visits, the preparation of 8(a) contractor profiles, and being knowledgeable of the types and sizes of contracts performed by the firms in both the public and the private sectors. On an annual basis the staff updates all information relative to the portfolio firms. A profile is completed on each firm which is published in the form of a regional directory that is distributed to buyers in both the public and private sectors. By working closely with the portfolio firms, the staff is intimately aware of the types of contracts the firms are performing and are capable of performing.

Upcoming procurement opportunities are identified through staff liaison with agency buyers and directors of Small and Disadvantaged Business Utilization. SBA Procurement Center representatives [PCR's] also identify procurement opportunities for portfolio firms. However, the largest proportion of the procurement opportunities accepted for the program are self-marketed by principals of portfolio firms. This is especially true of the larger, more sophisticated requirements. Self-marketed requirements are almost always matched with the firm that first identified the requirement, as long as the requirement is within the firm's approved 8(a) business plan capabilities and support level. Requirements offered by procurement activities or identified by SBA staff are allocated to portfolio firms based on business capabilities and approved levels of support.

The Los Angeles District office very rarely returns requirements to buying activities due to a lack of ability to match such requirements with qualified 8(a) firms. The Los Angeles District office, like the rest of the region, has a diversified portfolio which contains a wide variety of capabilities. If a requirement is offered to the program for a firm which SBA later determines is not in fact capable to perform, the requirement is immediately rematched with another 8(a) firm that is competent to perform. If it is determined that the capability does not exist in the Los Angeles portfolio, the district coordinates with the regional office to transfer the requirement to another district office within the region or outside of the region.

As stated previously, the administration of the 8(a) program within region IX has been decentralized to the district office level.

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This includes the responsibility for selection of contracting opportunities for 8(a) firms. However, the regional office does have a role in the selection of contracting opportunities, particularly in three types of cases.

The first area in which the regional office has a role in the selection of 8(a) contracting opportunities is the coordination of national buy requirements. The regional office coordinates and prepares search letters to Federal procuring activities for all national buy items. To insure a uniform regional position regarding national buy requirements, district offices are required to submit national buy search letter requests on behalf of their 8(a) firms to the regional office for processing. Thus, if the same national buy requirement is requested by more than one 8(a) contractor in region IX, the regional office can decide which firm is best suited to perform that requirement. This eliminates the confusion that can result when a procuring activity receives search letters on behalf of several different 8(a) firms on a single requirement.

The second area of regional involvement in 8(a) contract section is the processing of open requirements. Occasionally region IX receives a national buy requirement offering from a procuring activity without designation of a recommended 8(a) contractor. In these instances, the regional office reviews the capabilities of the regional 8(a) portfolio in consultation with the district offices and selects the 8(a) contractor best suited to perform the open contract. It should be noted, however, that open requirements are relatively rare. Most national buy requirement offerings are received as the result of an SBA search letter on behalf of a specific 8(a) contractor, or have been recommended for matching with a particular 8(a) contractor by the procuring activity.

The third area of regional involvement in the contract selection process is the coordination of local buy requirements that the district office is unable to match with an 8(a) contractor. If the district office where the local buy project is located is unable to match the requirement with one of its 8(a) contractors, the requirement is referred to the regional office for matching with a contractor from another district. In these cases, the regional office analyzes the portfolio of 8(a) firms within the region to determine which contractor would be the best match with the requirement. Consideration is given to the geographical location of the contractor in this process.

In fiscal year 1985 the joint efforts of the Los Angeles District and the San Francisco regional offices were successful in obtaining 220 national buy requirements for Los Angeles District 8(a) firms. There were 71 cases where our request for a specific national buy requirement was denied by the procuring activity.

I will now address the 8(a) application process. The 8(a) application review process consists of a series of detailed reviews of the ownership, organization, management, financial position, and business prospects of the 8(a) applicant firm. The reviews of the 8(a) application, particularly at the district and the regional office levels, are detailed to insure that the applicant in fact qualifies for participation in the 8(a) program.

The first stage of the application process is the determination of availability of contract support. This process takes 1 to 2 weeks for

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local buy companies, and 3 to 4 weeks for national buy companies. The reason for the longer processing time for national buy companies is that the determination must be made by our central office in Washington after initial review at the district and regional levels.

Stage II of the 8(a) application process is the review of the firm's eligibility and business plan. The initial review is done at the district office, which takes from 3 to 5 months on the average.

The next level of review is at the regional office, which requires an average of 5 months. After the district and regional offices have made their detailed reviews, the central office performs the final review and issues a final decision on eligibility within an average of 3 to 4 weeks. Thus, the total processing time for an 8(a) application in region IX, including stages I and II is 10 to 12 months.

In analyzing these processing times, it is important to note that the initial submission of the stage II application documents to the district office is often incomplete. Therefore, the district must identify the missing documentation and request it from the applicant. The time required to identify, request, and receive additional required documentation from the applicant is included in the district processing time.

At the regional level, it is important to note that for the last several years region IX has had only one employee assigned to review 8(a) applications. Over the last 2 years, as a result of SBA's efforts to increase the 8(a) portfolio, a backlog of 8(a) applications has developed. To deal with this backlog, the regional office has taken a number of steps, including the following: Bringing in district employees to the regional office on temporary details to assist with the application reviews, and providing training to the district offices during this fiscal year to improve the quality and consistency of district application processing.

The regional office is also currently in the process of adding a new business opportunity specialist position to assist in the review of 8(a) applications.

It should also be noted that, despite the backlog of applications that has developed at the regional office, region IX was able to achieve the Administrator's goal for 100 new 8(a) firms in the year ending April 1984 by processing 101 8(a) applications for approval during that timeframe. We have continued to expand the 8(a) portfolio in region IX by processing 52 new firms for approval in fiscal year 1985, and an additional 36 more in the first 5 months of this fiscal year.

Mr. Chairman, this completes my prepared statement. Mr. Smith and I will be glad to respond to any questions that you may have at this time.

Mr. TORRES. Thank you. Mr. Smith, will you have testimony to present as well?

Mr. SMITH. No, Mr. Chairman; I thought that we would combine the statement to include both those statistics at the regional level as well as at the district in one document.

Mr. TORRES. Thank you. I think that would help us expedite the hearing. I'm going to ask Mr. Hayes, who may have to leave shortly, to field the first question. Mr. Hayes.

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Mr. HAYES. What marketing assistance does SBA provide to its 8(a) portfolio?

Mr. BANGS. We prepare, each year, a directory of 8(a) contractor profiles which we then provide to the agency buyers within the Federal Government at each procuring activity and also to the major Government prime contractors so that they can use this information in identifying potential sources for their procurements.

In addition to that, we also support the National Minority Procurement Trade Fair, which takes place in Washington, DC, each year during Minority Enterprise Development Week. Last year I believe we had 18 firms participating in that fair. And additionally, we are going to be conducting seminars in each of our district offices this year on techniques and procedures for selfmarketing of 8(a) procurement opportunities for the 8(a) portfolio firms.

Mr. HAYES. Does the Los Angeles District office provide any additional assistance to Los Angeles firms?

Mr. BANGS. Yes; the Los Angeles district office, like all of our district offices provides one-on-one assistance to the 8(a) portfolio firms in terms of contacting procuring activities within their district and also national buy procuring activities nationwide. And we also provide assistance through the 7(j) program in terms of developing specific marketing plans for individual 8(a) firms.

Mr. HAYES. In your opinion what is the overall attitude of west coast buying activities toward any efforts by SBA to turn more sophisticated and lucrative requirements for its 8(a) program?

Mr. BANGS. I would say that the attitude is positive if we and the 8(a) firm can convince them that the 8(a) contractor has the capabilities both technical and financial to perform whatever requirement we're looking at. I'm sure that there are some isolated instances where procuring activity representatives are not totally supportive of the program, but I would say in my experience that by and large the attitude is a positive one. Although in recent years, I think that perhaps there may have been a slight lessening of support for the program due to some of the changes that have taken place in the procurement arena, for example, the Competition in Contracting Act. I believe there's been some confusion in some areas on the part of certain contracting officers who feel that that particular legislation makes it more difficult for them to utilize the 8(a) program, which of course, it does not. The Competition in Contracting Act provides a specific exception for the 8(a) program. So, when we have encountered that kind of thinking, we have been able to provide the correction.

Mr. HAYES. Thank you, Mr. Chairman.

Mr. TORRES. Thank you, Mr. Hayes. We've heard today a number of witnesses describe the time it takes to become certified under the 8(a) program. It has taken some firms here today, as long as 2 years to gain that certification. Am I to assume that it's a 12-month period from the time that they come to Mr. Hawley's office and to the regional office and up to the central office in Washington? There is a discrepancy in 12 months and the 2-year period that we've heard this morning.

Mr. BANGS. OK. The figures that I provided in my testimony are average figures, and there may be some isolated cases where it

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took longer than that. And in fact, I'm sure there have been. There have been other cases where it didn't take that long.

Mr. SMITH. If I can, Mr. Chairman, I think I might mention too, that in a case, let's say how would a company take 2 years as opposed to being below or above the average? Most people's perception would be if I applied today, was turned down, reapplied for reconsideration, was turned down, reapplied for reconsideration again, and finally got it approved, that it is conceivable that that type of scenario could happen to an individual company. And if the first time they were turned down for certain reasons, they sought to overcome those reasons and resubmit and request for reprocess. Now, the perception, of course, to that particular client is that in his case it may have taken 2 years.

Mr. TORRES. In your testimony, Mr. Bangs, you mentioned that the procurement center representatives identified procurement opportunities. I understand that the PCR's, as they're called, will be terminated as of October 1, 1986, no matter what happens to the agency. Can you offer some explanation for the elimination of this position within the SBA? Will this change not further impair the ability of firms to identify contracts at military bases which we discussed here this morning?

Mr. BANGS. I personally am not privy to the rationale behind the plan to eliminate the procurement center representatives. So, unfortunately I can't address that. I would have to say that the elimination of the PCR's would probably have some impact on our ability to identify 8(a) requirements. To the extent, what that impact would be, it's hard to say at this point. There is the possibility, at least, that some of the slack due to the loss of the PCR's, if in fact they are eliminated, could be taken up by the small and disadvantaged business utilization specialists and by the staff of the MSB and COD division within SBA. But, as we've heard here today, not only from my testimony but from some of the other witnesses testifying here, we don't have an overabundance of MSB and COD staff, so the loss of the PCR's, I think, would have some, at least, small impact on our ability to obtain 8(a) requirements.

Mr. TORRES. Mr. Bangs, one last question. How does the SBA distinguish between Defense contracts that are national buys, you talked about national buys, as opposed to local buys?

Mr. BANGS. OK. The distinction is based on whether the procurement is in fulfillment of the mission of the procuring activity, which would make it a national buy, or whether the procurement is merely something ancillary to the mission of the procuring activity, such as procurement of janitorial services to maintain the base and so on and so forth. National buy requirements basically consist of supply items, manufactured items, professional services and those kinds of things which actually fulfill the mission of the procuring activity.

Mr. TORRES. I see. Is there a dollar level for that?

Mr. BANGS. There is a dollar level set forth in our standard operating procedure for what we call nonprofessional services requirements, which means janitorial service, guard service, food service, et cetera. The definition is that any of those kinds of requirements that exceed $500,000 are defined to be national buys. That applies only, as I say, to the nonprofessional service requirements.

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Mr. TORRES. Thank you, Mr. Bangs. Thank you, Mr. Smith. Would Congressman Hayes wish to wrap up with a closing statement or a closing question?

Mr. HAYES. Well, Mr. Chairman, let me commend you for having scheduled these hearings here on such an important issue. As you well know, I'm sort of caught in between. I come from the Midwest, the disaster area in many respects of our country, when it comes to economic position. Hence, I'm always interested in quest of trying to preserve, if I can, the ever decreasing number of jobs that are available to people, regardless of where they are.

I think the bottom line here has been pointed out very clearly based upon the testimony from most of the witnesses. We've got to find a way to make sure that the Small Business Administration is not thrown away. This Administration doesn't have the opportunity to throw the baby out with the bath water, which is what I think they are trying to do. And I must say, that I don't envy the position that you people find yourselves in as a part of that Small Business Administration. Not being facetious, you find yourself, as I categorize it, in a position of having one foot on a rollerskate and the other one on a banana peel, saying let's go, which is next to impossible, but with the help of people like us in the Congress, and particularly Chairman Torres here, as a part of the SBA committee, I know we're going to fight like the devil to make sure. Because this is what we need, in this country, to begin to concentrate on trying to provide a way for survival of small business and find them those jobs and creation of more jobs.

When they talk about reducing the deficit, which seems to be uppermost in the minds of most of our colleagues, one of the best ways to reduce it is to provide means of employment for people so they can provide and pay income taxes. This is the direction I think we're going and certainly small business is a part of that process.

Thank you very much and I'm glad to have worked with you here today.

Mr. TORRES. Thank you, Mr. Congressman.

Mr. Powell, the minority counsel, any comments or questions? Ms. Tracey Pinson?

I would like to thank again, all of those participants this morning. As you know, we convened these meetings because we have heard many complaints. We have heard many complaints that California's small businesses are not fully participating in the Federal Procurement System. I believe that the testimony presented this morning supported this. Congressman Hayes and I are pleased with the excellent testimony that we've heard. The subcommittee will continue to examine these complaints.

I want to thank everyone for being so patient with us this morning. I want to thank the staff and again my thanks to supervisor Ed Edelman for providing these accommodations, to Gil Gerakos for arranging the logistics, and especially for Congressman Hayes, who has come from a long distance in sunny Chicago to join with us here in cold California.

Thank you. The meeting is now adjourned.

[Whereupon, at 1 p.m., the subcommittee hearing adjourned, to reconvene subject to call of the Chair.]

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